FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended December 31, 1996   Commission file number 1-3970

HARSCO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	23-1483991
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
Camp Hill, Pennsylvania	17001-8888
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 717-763-7064

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $1.25 per share	New York Stock Exchange
	Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE
(Title of class)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES [x]   NO [ ]

The aggregate market value of the Company's voting stock held by non-affiliates of the Company as of February 28, 1997 was $1,777,787,532.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Classes	Outstanding at February 28, 1997
Common stock, par value $1.25 per share	49,382,987
Preferred stock purchase rights	49,382,987

Documents Incorporated by Reference

Selected portions of the Notice of 1997 Meeting and Proxy Statement are Incorporated by Reference in Part III of this Report.

The Exhibit index (Item No. 14) is located on pages 81 to 87.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES

INFORMATION REQUIRED IN REPORT

PART I

Item 1. Business:

(a) Description of Business:

Harsco Corporation ("the Company") is a diversified industrial services and manufacturing company. The principal lines of business are: industrial mill services that are provided to steel producers in 29 countries, including the United States; scaffolding services to the industrial maintenance and construction markets primarily in North America; railway maintenance equipment and services that are provided to worldwide railroads; gas control and containment products for customers worldwide; and several other lines of business including, but not limited to, industrial grating and bridge decking, pipe fittings, process equipment, slag abrasives and roofing granules. The Company's operations fall into three Operating Groups: Metal Reclamation and Mill Services; Infrastructure and Construction; and Process Industry Products. The Company has over 175 major facilities in 30 countries, including the United States. Harsco also holds a 40% equity interest in United Defense, L.P., a $1.0 billion partnership with FMC Corporation, which principally manufactures armored combat vehicles and other defense systems for the U.S. and allied governments.

In 1994, the Company formed a new Operating Group structure to reflect the Company's strategic refocusing. The new Groups were formed because: (1) the Company was no longer directly involved in the Defense business as a result of the formation of United Defense, L.P., effective January 1, 1994, to which the Company contributed its military tracked vehicle business; the completion of the five-ton truck contract with the U.S. Government and the related conversion of production to school buses in 1993; and (2) the acquisition of MultiServ International, N.V., which substantially increased the Company's presence in metal reclamation and mill services. Except for Defense, because it is no longer a Group, the Company restated all the Operating Groups for the periods presented.

In 1995, the Infrastructure, Construction and Transportation Group was renamed the Infrastructure and Construction Group due to the Company's announced exits from the school bus and military truck businesses. The Company ceased all bus operations in June 1995. Truck operations were ended in June 1994.

The operations of the Company in any one country, except the United States, do not account for more than 10% of sales. No single customer or group under common control represented 10% or more of the Company's sales during 1996, 1995, and 1994. There are no significant intergroup sales.

(b) Financial Information about Industry Groups:

Financial information concerning Industry Groups is included in Note 17 to the Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data".

(c) Narrative Description of Business:

(1) A narrative description of the businesses by Operating Group is as follows:

Metal Reclamation and Mill Services

This Group provides specialized services to steel producers and non-ferrous metallurgical industries worldwide. The services provided include metal reclamation; slag processing, marketing, and disposal; scrap management and handling; cleaning of slag pits; handling of raw material, steel slabs, and molten slag; filling and grading of specified areas; and the renting of various types of plant equipment. Highly specialized recovery and cleaning equipment, installed and operated on the property of steel producers, together with standard materials handling equipment, including drag lines, cranes, bulldozers, tractors, hauling equipment, lifting magnets and buckets, are employed to reclaim metal. The customer uses this metal in lieu of steel scrap and makes periodic payments to the Company based upon the amounts of metal reclaimed. The nonmetallic residual slag is graded into various sizes at on-site Company-owned processing facilities and sold commercially. Graded slag is used as an aggregate material in asphalt paving applications, railroad ballast and building blocks. The Company also provides in-plant transportation and other specialized services including slab management systems, general plant services, and recycling technology. Similar services are also provided to non-ferrous metallurgical industries, such as aluminum, copper, and nickel.

This industry group includes the Eastern and Western Regions of the Heckett MultiServ Division which operates in 29 countries on six continents.

During 1996, the Company entered into several new long-term services contracts valued over $200 million over their life span. Covering four to ten years in duration, each contract is expected to generate an average of more than $2 million in annual revenues. Additionally, the company sold two non-core units located in France and Belgium which provided temporary labor services. These units reported combined revenue of approximately $22 million during 1995.

For 1996, the percentage of consolidated net sales for metal reclamation and mill services was 39%.

Infrastructure and Construction

Major product classes in this Group are scaffolding, shoring and concrete forming equipment and services, railway maintenance of way equipment and services, and industrial grating and bridge decking products. This Group also provides roofing granules and slag abrasives.

The Group's scaffolding, shoring and concrete forming operations include steel and aluminum support systems that are leased or sold to customers through a North American network of some 40 branch offices. Also, the New Orleans-based Plant Services unit provides cost-effective scaffolding and erection/dismantling services to refineries and the petrochemical sector. During 1996, the Company signed two new contracts to provide scaffolding services to the petrochemical industry valued in excess of $5 million.

The Company's product class of railway maintenance of way equipment and services includes specialized track maintenance equipment used by private and government-owned railroads and urban transit systems worldwide. Start-up of the innovative Tie Masters program with the Burlington Northern and Santa Fe Railway is performing well, providing a template for effective resource management and cost reduction that is leading to additional applications in 1997 and beyond. This program involves day-to-day management responsibility for the railway's tie renewal and equipment maintenance work, including training the railway's tie and surface gang personnel to operate new equipment. The equipment manufactured by the Company includes ballast tamping machines; ballast regulators and brooms; tie inserters and removers; spike drivers, pullers, and reclaimers; and other systems used in the construction and maintenance of track and railbeds.

The Company manufactures a varied line of industrial grating products at numerous plants in North America. The Company produces riveted, pressure-locked and welded grating in steel and aluminum, used mainly in industrial flooring, safety, and security applications for power, paper, chemical, refining and processing applications. The Company also produces varied products for bridge decking uses, as well as a range of fiberglass grating products.

The Company's slag abrasives and roofing granules are produced from utility coal slag and processed at 15 locations in 12 states. Slag abrasives are used for industrial surface preparation, such as rust removal and cleaning of bridges, ship hulls, and various structures. Roofing granules, including color granules, are sold to residential roofing shingle manufacturers.

For 1996, percentages of consolidated net sales of certain product classes were as follows: scaffolding, shoring and concrete forming equipment, 8%; railway maintenance of way services and equipment, 7%; grating and decking, 7%; and roofing granules and slag abrasives, 4%.

Process Industry Products

Major product classes in this Group are gas control and containment equipment, pipe fittings and process equipment.

Gas containment products include cryogenic equipment, such as bulk storage tanks, refrigerators, dewars and freezers, and liquid cylinders; high pressure cylinders; propane tanks; and composite pressure vessels such as self-contained breathing apparatus and natural gas fuel tanks. Gas control products include brass valves and regulators serving a variety of markets including the recreational diving market and the barbecue grill industry.

The enhanced CO_2 LIQUIDATOR(R), which stores carbon dioxide in liquid form and dispenses it as gas to provide carbonation for soft drinks, has gained momentum in the fast-food restaurant industry, as well as convenience stores. In 1996 the Company signed a contract with Amoco Food Shops of Chicago to install LIQUIDATOR(R) bulk CO_2 equipment in 265 of the chains Split Second convenience stores.

Under the valves and regulators product line, an innovative propane cylinder valve for 20-pound cylinders on gas grills continues to gain in the market place. This propane valve is the barbecue grill standard for the entire industry, because of its improved safety and convenience. A new scuba regulator, the Minimus(R), is 35% smaller than standard units and has also gained market acceptance.

During the second quarter of 1996, the Company acquired the assets of the Coyne Cylinder business. Coyne manufactures acetylene, small and intermediate high pressure and specialty cylinders, and had revenues of $45 million in 1995. Additional plant capacity for cryogenic products will be built in Malaysia to support the Far Eastern markets.

The Company's diverse product class of process equipment includes heat and mass transfer equipment; air-cooled heat exchangers; fractionation trays; process equipment, blenders, dryers and mixers; industrial and institutional boilers and hot water heaters; and wear-resistant steels used in the heavy-duty industrial requirements of mining, steelmaking, and paper production, as well as the ballistic armor protection of military and commercial vehicles.

The Company is a major supplier of pipe fittings and related products for the plumbing, hardware and energy industries and produces a variety of product lines, including forged and stainless steel fittings, conduit fittings, standard pressure fittings, swage nipples and couplings.

For 1996, percentages of consolidated net sales of certain product classes were as follows: gas control and containment, 19%; process equipment, 9%; and pipe fittings, 7%.

Unconsolidated Entities

The Company holds a 40% interest in United Defense, L.P., a joint venture partnership formed with FMC Corporation in January 1994. United Defense is one of the world's leading developers of ground combat vehicles and other select defense systems for the U.S. and allied governments. United Defense's sales increased 6% during 1996 to $1,029 million. The Company's other equity investments provide metal reclamation and mill services as described earlier.

Responding to the declines in spending on defense equipment and research and development, United Defense has been consolidated and downsized to strengthen its competitive position and penetrate new, profitable markets through re-manufacturing, upgrades, privatization and technology.

New U.S. Army production contracts during the year included a $116 million contract to remanufacture and upgrade 207 Bradleys from their as-built A0 configuration to the current A2 configuration; a $24 million contract to add Operation Desert Storm improvements to production Bradleys; a $48 million contract for 24 additional M88A2 HERCULES recovery vehicles; and a $39 million contract to build 48 Field Artillery Ammunition Support Vehicles for the U.S. Army National Guard.

International orders included a $27 million contract to produce an additional 24 internationally-configured howitzers for a U.S. ally and an $18.5 million contract to support the upgrade of some 750 Canadian M113 armored personnel carriers. Other major international activities include a Turkish joint-venture company for infantry fighting vehicles, a Korean co-production program for a variety of vehicles, and logistics support for the Saudi Arabian Land Forces.

United Defense's leadership on a number of high-priority Army development programs continued to advance, including the all-new Crusader Advanced Field Artillery System, the Grizzly mineclearing and counterobstacle vehicle, the Composite Armored Vehicle, and the Bradley Command and Control Vehicle (C2V). Each of these programs successfully reached major development milestones in 1996 that enable them to now move forward to their next level of program maturation. In addition, the first of the new digitized Bradley A3 prototypes was delivered, along with several other Bradley-based derivatives, including the first of ten Bradley FIST (Fire Support Team) prototype vehicles and an Armored Treatment Vehicle prototype. All are now being evaluated by the U.S. Army.

(1) (i) The products and services of Harsco can be divided into a number of classes. The product classes that contributed 10% or more as a percentage of consolidated net sales in any of the last three fiscal years are as set forth in the following table.

	1996	1995	1994
Metal Reclamation and Mill Services	39%	40%	38%
Gas Control and Containment Equipment	19%	18%	17%

(1) (ii) New products and services are added from time to time; however, currently none require the investment of a material amount of the Company's assets.

(1) (iii) The manufacturing requirements of the Company's operations are such that no unusual sources of supply for raw materials are required. The raw materials used by the Company include principally steel and to a lesser extent aluminum which usually are readily available.

(1) (iv) While Harsco has a number of trademarks, patents and patent applications, it does not consider that any material part of its business is dependent upon them.

(1) (v) Harsco furnishes building products and materials and a wide variety of specialized equipment for commercial, industrial, public works and residential construction which are seasonal in nature. In 1996, construction related operations accounted for 12% of total sales.

(1) (vi) The practices of the Company relating to working capital items are not unusual compared with those practices of other manufacturers servicing mainly industrial and commercial markets.

(1) (vii) No material part of the business of the Company is dependent upon a single customer or a few customers, the loss of any one of which would have a material adverse effect upon the Company.

(1) (viii) Backlog of orders stood at $211,734,000 and $157,129,000 as of December 31, 1996 and 1995, respectively. It is expected that approximately 25% of the total backlog at December 31, 1996, will not be filled within 1997. There is no significant seasonal aspect to the Company's backlog. Backlog for scaffolding, shoring and forming equipment, and for roofing granules and slag abrasives are not included in the total backlog, because they are generally not quantifiable. Contracts for the Metal Reclamation and Mill Services Group are also excluded from the total backlog. Additionally, contracts for the Company's 40% equity interest in United Defense, L.P. are excluded from total backlog.

(1) (ix) Under the terms and regulations applicable to government contracts, the Government has the right to terminate its contracts with United Defense L.P. in accordance with procedures specified in the regulations and, under certain circumstances, has the right to renegotiate profits. The United Defense partnership pretax income amounted to 25%, 34% and 42% of total Harsco pretax income in 1996, 1995 and 1994, respectively.

(1) (x) The various fields in which Harsco operates are highly competitive and the Company encounters active competition in all of its activities from both larger and smaller companies who produce the same or similar products or services or who produce different products appropriate for the same uses.

(1) (xi) The expense for internal product improvement and product development activities was $5,108,000, $4,876,000, and $5,463,000 in 1996, 1995, and 1994, respectively.

(1) (xii) The Company has become subject, as have others, to increasingly stringent air and water quality control legislation. In general, the Company has not experienced substantial difficulty in complying with these environmental regulations in the past and does not anticipate making any major capital expenditures for environmental control facilities. While the Company expects that environmental regulations may expand, and its expenditures for air and water quality control will continue, it cannot predict the effect on its business of such expanded regulations. For additional information regarding environmental matters see Note 1 and Note 10 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data".

(1) (xiii) As of December 31, 1996, the Company had approximately 14,200 employees.

(d) Financial Information about Foreign and Domestic Operations and Export Sales:

Financial information concerning foreign and domestic operations and export sales is included in Note 17 to the Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data".

Item 2. Properties:

Information as to the principal plants owned and operated by the Company is summarized in the following table:

Location	Floor Space (Sq. Ft.)	Principal Products
Infrastructure and Construction:		
Fairmont, Minnesota	312,000	Railroad Equipment
West Columbia, South Carolina	224,000	Railroad Equipment
Nottingham, England	30,000	Railroad Equipment
Nashville, Tennessee	212,000	Grating
Nashville, Tennessee	83,000	Grating
Charlotte, North Carolina	23,000	Grating
Madera, California	42,000	Grating
Leeds, Alabama	45,000	Grating
Cheswick, Pennsylvania	54,000	Grating
Channelview, Texas	82,000	Grating
Queretaro, Mexico	63,000	Grating
Marion, Ohio	135,000	Construction Equipment
Moundsville, West Virginia	12,000	Roofing Granules/Abrasives
Drakesboro, Kentucky	19,000	Roofing Granules
Gary, Indiana	15,000	Roofing Granules/Abrasives

Item 2. Properties (continued):

Location	Floor Space (Sq. Ft.)	Principal Products
Process Industry Products:		
West Jefferson, Ohio	144,000	Pipe Fittings
Crowley, Louisiana	172,000	Pipe Fittings
Houston, Texas	26,000	Pipe Fittings
Chicago, Illinois	35,000	Pipe Fittings
Hamden, Connecticut	47,000	Pipe Fittings
Vanastra, Ontario, Canada	55,000	Pipe Fittings
East Stroudsburg, Pennsylvania	172,000	Process Equipment
Port of Catoosa, Oklahoma	131,000	Heat Exchangers
Tulsa, Oklahoma	41,000	Fractionation Trays
Tulsa, Oklahoma	13,000	Fractionation Trays
Sapulpa, Oklahoma	74,000	Heat Exchangers
Sapulpa, Oklahoma	52,000	Heat Exchangers
Tulsa, Oklahoma	80,000	Heat Exchangers
Birmingham, Alabama	133,000	Wear Products
Bilston, England	37,000	Fractionation Trays
Lockport, New York	104,000	Valve Manufacturing
Niagara Falls, New York	66,000	Valve Manufacturing
Jessup, Georgia	43,000	Propane Tanks
Jessup, Georgia	62,000	Propane Tanks
Bloomfield, Iowa	40,000	Propane Tanks
West Jordan, Utah	26,000	Propane Tanks
Pomona, California	75,000	Composite Pressure Vessels
Harrisburg, Pennsylvania	317,000	Cylinders
Huntsville, Alabama	270,000	Acetylene Tanks
Theodore, Alabama	275,000	Cryogenic Storage Vessels
Husum, Germany	60,000	Cryogenic Storage Vessels
Shah Alam, Malaysia	20,000	Cryogenic Storage Vessels

The Company also operates the following plants which are leased:

Location	Floor Space (Sq. Ft.)	Principal Products	Expiration Date of Lease
Infrastructure and Construction:			
Tulsa, Oklahoma	10,000	Grating	02/28/99
Brendale, Australia	40,000	Railroad Equipment	10/18/97
Process Industry Products:			
Baltimore, Maryland	15,000	Pipe Fittings	04/30/97
Lansing, Ohio	67,000	Pipe Fittings	01/31/98
Cleveland, Ohio	50,000	Brass Castings	09/30/98

The Company operates from a number of other plants, branches, warehouses and offices in addition to the above. In particular, the Company has over 130 locations related to metal reclamation in twenty-nine countries, however since these facilities are on the property of the steel mill being serviced they are not listed. The Company considers all of its properties to be in satisfactory condition.

Item 3. Legal Proceedings:

Information regarding legal proceedings is included in Note 10 to the Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data".

Item 4. Submission of Matters to a Vote of Security Holders:

There were no matters that were submitted during the fourth quarter of the year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters:

On November 19, 1996, the Board of Directors declared a two-for-one stock split on the Company's common stock. One additional share will be issued for each share of common stock held by shareholders of record as of the close of business on January 15, 1997. New shares will be distributed on February 14, 1997. Common stock and additional paid-in capital as of December 31, 1996 have been restated to reflect this split. Par value will remain unchanged at $1.25. The number of shares issued at December 31, 1996, after giving effect to the split, was 65,458,202 (32,729,101 shares issued before the split).

Harsco common stock is traded on the New York, Pacific, Boston, and Philadelphia Stock Exchanges under the symbol HSC. At the end of 1996, there were 49,602,352 shares outstanding on a post-split basis. In 1996, the stock traded in a range of 35 1/8 - 29 (on a post-split basis) and closed at $34 1/4 (on a post-split basis) at year-end. For additional information regarding Harsco common stock market price, dividends declared, and numbers of shareholders see Part II, Item 6, "Selected Financial Data".

Item 6. Selected Financial Data

FIVE-YEAR STATISTICAL SUMMARY
(ALL DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

SUMMARY OF OPERATIONS	1996	1995	1994	1993(DELTA)	1992
Net sales	$ 1,557,643	$ 1,495,466	$ 1,357,715	$ 1,422,308	$ 1,624,939
Equity in income of unconsolidated entities	50,083	57,031	64,120	2,415	3,626
Gain on sale of investments and other revenues	773	1,520	43,946	19,573	2,093
Costs and expenses excluding facilities discontinuance and reorganization costs	1,389,801	1,346,031	1,272,153	1,292,236	1,479,023
Facilities discontinuance and reorganization costs	3,280	22,809	17,143	2,419	445
Income before interest, income taxes, minority interest, and cumulative effect of accounting changes	215,418	185,177	176,485	149,641	151,190
Interest expense	21,483	28,921	34,048	19,974	18,882
Income before cumulative effect of accounting changes	119,009	97,377	86,553	80,816(a)	91,516(b)
Net income	119,009	97,377	86,553	87,618	84,322
Return on net sales(1)	7.6%	6.5%	6.4%	5.7%(a)	5.6%(b)
Return on average equity(2)	18.2%	15.9%	15.7%	17.3%	17.2%
Return on average assets(3)	16.8%	14.6%	13.5%	13.4%(a)	15.2%(b)
FINANCIAL DATA					
Shareholders' equity	681,287	625,991	581,222	523,084	495,103
Cash dividends declared	38,310	37,599	35,715	34,946	34,598
Depreciation	100,137	95,033	90,179	69,558	57,064
Capital expenditures	150,294	113,895	90,928	83,395	42,720
Cash provided by operating activities	217,202	258,815	161,395	232,220	108,134
Cash provided (used) by investing activities	(153,225)	(97,331)	(73,150)	(397,666)	(24,518)
Cash provided (used) by financing activities	(92,944)	(128,068)	(103,040)	173,555	(152,652)
Working capital	214,519	145,254	254,338	182,756	316,918
Current ratio	1.7:1	1.4:1	1.9:1	1.4:1	2.1:1
Total assets	1,324,419	1,310,662	1,314,649	1,427,612	991,225
Long-term debt	227,385	179,926	340,246	364,869	119,841
Total debt	253,567	288,673	365,984	428,378	131,068
Percent of total debt to capital(4)	27.1%	31.6%	38.6%	45.0%	20.9%

FIVE-YEAR STATISTICAL SUMMARY (Column con't from prior page)

(1)"Return on net sales" is calculated by dividing net income by net sales.

(2)"Return on average equity" is calculated by dividing net income by quarterly weighted average equity.

(3)"Return on average assets" is calculated by dividing income before interest expense, income taxes and minority interest by quarterly weighted average assets.

(4)"Percent of total debt to capital" is calculated by dividing the sum of debt (short-term borrowings and long-term debt including current maturities) by the sum of equity and debt.

FIVE-YEAR STATISTICAL SUMMARY (Column con't from prior page)

PER SHARE DATA(d)	1996	1995	1994	1993	1992
Income before cumulative effect of accounting changes	2.39	1.93	1.72	1.61(a)	1.76(b)
Shareholders' equity	13.73	12.49	11.54	10.48	9.75
Cash dividends declared	0.77	0.75	0.71	0.70	0.67
Price/earnings ratio, high-low	15-12	16-10	13-11	13-10	12-9
Market price of common stock High - low, by quarter					
1st	34 - 29	22 1/2 - 19 3/4	23 1/4 - 20 3/8	22 1/2 - 18 1/2	19 3/4 - 13 7/8
2nd....................................	35 - 32 3/8	26 1/2 - 21 1/2	22 3/8 - 19 7/8	22 1/4 - 17 1/2	19 - 16 7/8
3rd....................................	35 1/2 - 29 1/4	29 3/4 - 26 1/4	21 5/8 - 19 1/4	22 3/8 - 18 3/4	18 7/8 - 14
4th....................................	35 1/8 - 29 3/4	30 1/4 - 26 3/8	22 1/8 - 19 1/4	21 3/4 - 19 5/8	19 3/8 - 14 1/8
Dividends paid, by quarter					
1st	.1900	.1850	.1750	.1750	.1650
2nd	.1900	.1850	.1750	.1750	.1650
3rd	.1900	.1850	.1750	.1750	.1650
4th	.1900	.1850	.1750	.1750	.1650
OTHER INFORMATION					
Average number of shares outstanding(d) .	49,883,062	50,492,712	50,229,748	50,073,786	51,933,510
Number of employees	14,200	13,200	13,000	14,200	9,600
Backlog(e)	$ 211,734	$ 157,129	$ 160,703	$ 146,751(c)	$ 190,914(c)

(DELTA)Includes MultiServ International, N.V. since date of acquisition, August 31, 1993.

(a) Excludes cumulative effect of change in method of accounting for income taxes, which increased net income by $6.8 million, ($.14 per share).

(b) Excludes cumulative effect of change in method of accounting for postretirement benefits other than pensions, which decreased net income by $7.2 million, ($.14 per share).

(c) Excludes $397.9 million contributed to United Defense, L.P. for comparative purposes with 1994 and $548.1 million for comparative purposes with 1993.

(d) Reflects two-for-one stock split to shareholders of record January 15, 1997.

(e) Excludes the estimated value of long-term metal reclamation and mill services contracts.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:

FINANCIAL CONDITION

Net cash provided by operating activities was $217.2 million in 1996 compared to $258.8 million in 1995. 1995 included the receipt of $20.4 million from a claim settlement with the U.S. Government and the $49.0 million Federal Excise Tax reimbursement on the completed five-ton truck contract. During 1996 and 1995, distributions of $38.5 million and $38.4 million were received from unconsolidated entities, respectively.

Capital expenditures for 1996 were a record $150.3 million, compared with $113.9 million in 1995, reflecting the Company's program to achieve business growth and to improve productivity and quality. The increase in capital spending reflects principally higher capital expenditures for the Metal Reclamation and Mill Services Group which amounted to $109 million, up 49% from 1995. Capital expenditures during the past three years averaged $118.4 million. Proceeds from the sale of property, plant and equipment in 1996 provided $4.9 million in cash compared to $11.5 million in 1995. Cash used by investing activities included $19 million for the acquisition of substantially all of the net assets of the Coyne Cylinder business ("Coyne") and $2 million for the acquisition of certain assets of a railway maintenance of way company.

Cash used by financing activities included $37.9 million of cash dividends paid on common stock and $30.7 million in stock acquired for treasury. Total short-term and long-term debt decreased by $31.7 million. Cash and cash equivalents decreased $30.8 million to $45.9 million at December 31, 1996.

In November 1996, the Board of Directors declared a two-for-one stock split on the Company's common stock. One additional share will be issued for each share of common stock held by shareholders of record as of the close of business on January 15, 1997. In the Management's Discussion and Analysis, all references to the number of common shares and per share amounts have been adjusted to reflect post-split amounts.

The Company has maintained a policy of reacquiring its common stock in unsolicited open market or privately-negotiated transactions at prevailing market prices for several years. In January 1996, the Board of Directors authorized the purchase, over a one-year period, of up to 2,000,000 shares of the Company's common stock. The total number of shares purchased under this program for 1996 was 899,186 shares of common stock at an average cost of $31.53 per share. Financing activities included $30.7 million in cash used to repurchase the Company's common stock. In January 1997, the Board of Directors authorized the purchase, over a one-year period, of up to 2,000,000 shares of the Company's common stock.

Other matters which could affect cash flows in the future are discussed under Note 10 to the Consolidated Financial Statements, "Commitments and Contingencies."

The Company continues to maintain a strong financial position, with net working capital of $214.5 million, up from $145.3 million at December 31, 1995. The improvement is primarily due to the repayment of the $89.5 million of 8.75% 10-year notes that matured in May 1996, which was financed principally through the issuance of commercial paper. Such borrowings are classified as long-term debt due to the Company's intent and ability to refinance it on a long-term basis through existing long-term credit facilities. Current assets amounted to $508.5 million, and current liabilities were $294.0 million, resulting in a current ratio of 1.7 to 1, up from 1.4 to 1 at December 31, 1995. With total debt at $253.6 million and equity at $681.3 million at December 31, 1996, total debt as a percent of total capital was 27.1%, down from 31.6% at December 31, 1995.

The stock price range during the year was 35 1/8 - 29. The Company's book value per share at December 31, 1996, was $13.73, compared with $12.49 at December 31, 1995. The Company's return on average equity for 1996 was 18.2%, compared with 15.9% for the year 1995. The return on average assets for 1996 was 16.8%, compared with 14.6% for the year 1995. The return on capital for 1996 was 14.1%, compared with 12.2% for year 1995.

In July 1996, the Company amended and increased to $400 million, from $300 million, its October 1993 Five-Year Competitive Advance and Revolving Credit Facility with a syndicate of 18 banks led by Chase Manhattan Bank. The five-year facility, as amended, extends maturity to July 2001, provides for greater financial flexibility and reflects favorable syndicated credit pricing. This amended credit facility will serve as backup to the Company's $300 million commercial paper program, which was increased from $150 million. In addition, the Company in September 1996 initiated a Belgian commercial paper program. The 3 billion Belgian franc program is equivalent to approximately US $100 million. The Belgian program will be used to borrow a variety of Eurocurrencies in order to fund the Company's European operations more efficiently and in appropriate currencies. The Company limits the aggregate commercial paper and credit facility borrowings at any one time to a maximum of $400 million. The credit facility has been increased to provide financing for general corporate needs and future growth opportunities.

The Company's outstanding long-term notes are rated A by Standard & Poor's, A by Fitch Investors Service and A-3 by Moody's. The Company's commercial paper is rated A-1 by Standard & Poor's, F-1 by Fitch Investors Service and P-2 by Moody's. The Company also has on file, with the Securities and Exchange Commission, a Form S-3 shelf registration for the possible issuance of up to an additional $200 million of new debt securities, preferred stock or common stock.

As indicated by the above, the Company's financial position and debt capacity should enable it to meet its current and future requirements. As additional resources are needed, the Company should be able to obtain funds readily and at competitive costs.

RESULTS OF OPERATIONS

1996 Compared with 1995

Revenues for 1996 were $1.61 billion, 4% above 1995. The increase was due principally to higher sales for gas control and containment equipment and metal reclamation and mill services, which included the consolidation of a subsidiary in South Africa that had previously been reflected as an equity investment. The Company acquired a majority ownership of the subsidiary in the fourth quarter of 1995. More than offsetting the South Africa consolidation was the divesting of certain non-core European businesses in the Metal Reclamation and Mill Services Group during the fourth quarter of 1995 and April 1996. In addition, higher sales were recorded for railway maintenance of way equipment and services, scaffolding, shoring and forming equipment, roofing granules and slag abrasives, pipe fittings and to a lesser extent grating. Increased sales were also due in part to an acquisition made in 1996. These increases were partially offset by the effect of ceasing school bus operations in June 1995, as well as lower income from the Company's equity investment in United Defense, L.P. Sales also decreased, but to a lesser extent, due to the strengthening of the U.S. dollar, principally against certain European currencies.

Cost of sales increased primarily due to higher volume, but at a rate less than the increase in sales. Selling, general and administrative expenses increased, principally as a result of higher compensation costs and the inclusion of acquired companies.

Income before income taxes and minority interest was up 23% from last year. Higher earnings in 1996 reflect higher operating results for pipe fittings, gas control and containment equipment, roofing granules and abrasives, railway maintenance of way equipment and services, and metal reclamation and mill services. Increased income was also due in part to an acquisition made in 1996. As expected, lower earnings were recorded for the Company's share of income from its equity investment in United Defense, L.P., which included substantial dividend income from its investment in an international operation. Scaffolding, shoring and forming equipment also recorded lower earnings in 1996. On a comparative basis, unfavorably affecting 1995's results were losses arising from the school bus business, which ceased operations in June that year. The Company recorded in 1995 a pre-tax provision of $2.1 million for the valuation of the remaining school bus operation plant and equipment and $3 million in termination and other exit costs. 1995 also included a $13.5 million non-cash pre-tax charge ($0.16 after-tax earnings per share) arising from the settlement of a Federal Excise Tax reimbursement claim with the U.S. Government. Income benefited in 1995 from the effect of a pre-tax $6.6 million net foreign currency translation exchange gain arising from the decline in the U.S. dollar against certain European currencies, which more than offset a pre-tax $3.4 million foreign currency translation exchange loss due to the devaluation of the Mexican peso. Interest expense decreased as a result of the continued reduction of the Company's outstanding debt and average interest rate. The effective income tax rate for 1996 at 38% was lower than the 1995 rate of 39%.

Net income of $119 million was up 22% from 1995. This net income was the highest performance in the history of the Company.

Sales of the Metal Reclamation and Mill Services Group, at $607.7 million, were slightly above 1995. The rate of increase was unfavorably affected by the strengthening of the U.S. dollar, principally against certain European currencies. Sales for the Infrastructure and Construction Group, at $408.8 million, were above last year, which included $15.7 million for the school bus business that ceased operation in June 1995. Higher sales were recorded for all other product classes, particularly railway maintenance of way equipment and services and scaffolding in 1996. Sales for the Process Industry Products Group, at $541.1 million, were higher than last year and were led by gas control and containment equipment, which included an acquisition made in 1996. The Process Industry Products Group also included increased sales for pipe fittings, as well as wear products and process equipment.

Operating profit in 1996 of $85.2 million, excluding the effect of expense items relating to facilities discontinuance and reorganization costs for the Metal Reclamation and Mill Services Group, was ahead of 1995, which included $3.4 million of foreign currency translation exchange losses due to the devaluation of the Mexican peso. The increase also includes higher income in 1996 due to the consolidation of a subsidiary in South Africa, beginning October 1995. Operating profit in 1996 of $84.2 million, including the effect of facilities discontinuance and reorganization costs, for the Group was up 9% from 1995. The Infrastructure and Construction Group posted an operating profit of $42.8 million, excluding the effect of expense items relating to facilities discontinuance and reorganization costs. Operating profit increased from 1995, which included losses arising from the school bus operation. Additionally, improved results for roofing granules and slag abrasives, as well as railway maintenance of way equipment and services, contributed to the higher operating profit of the Group. After including the effect of facilities discontinuance and reorganization costs, operating profit of $41.8 million was more than two times the amount recorded in 1995, which included $17.6 million of pre-tax facilities discontinuance and reorganization costs due principally to a $13.5 million non-cash pre-tax charge arising from the settlement of a Federal Excise Tax reimbursement claim with the U.S. Government. Operating profit for the Process Industry Products Group, at $55.8 million, was up 21% from last year, and reflected higher earnings for all product classes, principally gas control and containment equipment which included an acquisition made in 1996, and pipe fittings.

In addition to the Group reporting noted above, the Company views itself as a diversified industrial services and manufacturing company. Total industrial service sales, which include Metal Reclamation and Mill Services Group and Infrastructure and Construction Group service businesses, principally scaffolding services and railway maintenance of way services, were $761.5 million in 1996 and $745.3 million in 1995, or approximately 49% and 50% of net sales in 1996 and 1995, respectively. The total manufacturing sales for 1996 were $796.1 million or approximately 51% of net sales, which includes sales from the Infrastructure and Construction Group and the Process Industry Products Group. The total manufacturing sales for 1995 were $750.2 million, approximately 50% of net sales.

The operating profit, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, for industrial services for 1996 was $100.4 million compared with $96.5 million in 1995, or approximately 55% and 59%, respectively, of total Group operating profit. The operating profit, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, from manufacturing for 1996 was $83.4 million compared with $65.8 million in 1995, which is approximately 45% and 41%, respectively, of total Group operating profit.

The operating profit, including the effect of expense items relating to facilities discontinuance and reorganization costs, for industrial services for 1996 was $99.1 million compared with $93.8 million in 1995, or approximately 55% and 66%, respectively, of total Group operating profit. The operating profit, including the effect of expense items relating to facilities discontinuance and reorganization costs, from manufacturing for 1996 was $82.3 million compared with $47.8 million in 1995, which is approximately 45% and 34%, respectively, of total Group operating profit.

1995 Compared with 1994

Revenues for 1995 were $1.55 billion, 6% above 1994. The increase was primarily due to higher sales for metal reclamation and mill services, gas control and containment equipment, scaffolding, shoring and forming equipment, grating, and to a lesser extent railroad equipment, as well as roofing granules and abrasives. Additionally, higher revenues included sales from an acquisition made in the first quarter of 1995. These increases were partially offset by the impact of ceasing the school bus business in June 1995 and divesting non-core businesses in Europe during the second half of 1995 and 1994, as well as the expected decrease in income from the Company's equity investment in United Defense, L.P. On a comparative basis, revenues for 1994 included $36.2 million due to the negotiated settlement of three claims with the U.S. Government and a $5.9 million pre-tax gain on the sale of the remaining holdings of an investment in a marketable equity security.

Cost of sales increased, principally due to higher volume. Selling, general and administrative expenses decreased as a result of exiting the school bus business, which more than offset higher compensation costs and professional fees associated with certain legal matters, as well as expenses associated with potential acquisitions.

Income before taxes and minority interest was up 10% from the comparable period last year due to improved performance for all three operating groups. The effective income tax rate for 1995 was 39%, versus 40% in 1994. The reduction in the income tax rate is primarily due to lower effective tax rates on international earnings.

Higher earnings in 1995 were due principally to improved results for metal reclamation and mill services, grating, gas control and containment equipment, scaffolding, shoring and forming equipment, and structural composites, as well as roofing granules and abrasives. Income benefited in 1995 from the impact of a pre-tax $5.8 million ($.07 earnings per share) net foreign currency translation exchange gain arising from the decline in the U.S. dollar against certain European currencies which more than offset a pre-tax $3.4 million ($.04 earnings per share) foreign currency translation exchange loss due to the devaluation of the Mexican peso. Lower earnings were recorded for the Company's share of income in its equity investment in United Defense, L.P., as well as pipe fittings. Continued operating losses during the planned shutdown of the school bus operation were lower than operating losses incurred in 1994. The Company ceased all school bus operations in June 1995. In September 1995, the Company recorded a non-cash, pre-tax charge of $13.5 million ($.16 earnings per share) arising from the settlement of the Federal Excise Tax reimbursement claim with the U.S. Government. As a result of the settlement, the Company received cash of $49 million which was offset against a $62.5 million receivable recorded during the performance of the contract. Additionally, the Company recorded a pre-tax provision of $2.1 million ($.03 earnings per share) for the valuation of the remaining school bus operation plant and equipment, and $3 million in termination and other exit costs. Also, in 1995 a pre-tax $2.8 million ($.03 earnings per share) provision for facilities discontinuance and reorganization costs was recorded for the Metal Reclamation and Mill Services Group. On a comparative basis, favorably affecting 1994's results were $36.2 million ($.43 earnings per share) of pre-tax income resulting from the negotiated settlement of three claims with the U.S. Government and a pre-tax $5.9 million ($.07 earnings per share) gain on the sale of the remaining holdings of an investment in a marketable equity security. These favorable items in 1994 were partially offset by $17.1 million ($.20 earnings per share) of expense for facilities discontinuance and reorganization costs related principally to the Infrastructure and Construction and Metal Reclamation and Mill Services Groups. Also, in December 1994, results were unfavorably affected by a $6 million ($.07 earnings per share) foreign currency translation loss relating to the Company's operations in Mexico as a result of the maxi devaluation of the peso. Interest expense decreased as a result of the continued reduction of the Company's outstanding debt.

Net income in 1995 of $97.4 million ($1.93 per share), a record, was up 13% from 1994. Results for 1995 included a non-cash, after-tax charge of $8.2 million ($.16 per share) from the settlement of a claim with the U.S. Army. Excluding this item, 1995 income was $105.6 million ($2.09 per share). Net income in 1994 of $86.6 million ($1.72 per share) included gains from settlements of claims with the U.S. Army and the sale of an equity security aggregating $.50 per share. Excluding these items, 1994 income was $61.4 million ($1.22 per share).

Sales of the Metal Reclamation and Mill Services Group, at $604.2 million, were well above 1994 due to improved business conditions, particularly in Europe, as well as North America. The favorable impact of the decline in the U.S. dollar against certain European currencies, particularly the French franc, Belgian franc and German mark, also contributed to increased revenues for the Group. Sales for the Infrastructure and Construction Group, at $399.7 million, were slightly ahead of last year. Scaffolding equipment, grating, railroad equipment and roofing granules and abrasives sales all increased from 1994. School bus sales were down significantly as a result of exiting the operation. Sales for the Process Industry Products Group, at $491.6 million, were ahead of 1994. The improvement included increased sales for most product classes, particularly gas control and containment, as well as sales from an acquisition made in process equipment during the first quarter of 1995.

Operating profit of $80 million for the Metal Reclamation and Mill Services Group, excluding the impact of expense items relating to facilities discontinuance and reorganization costs, was up 84% from 1994 principally due to improved operating performance, as well as business conditions, the favorable effects of cost reduction and reorganization efforts, and the favorable impact of the decline in the U.S. dollar against certain European currencies as previously discussed. On a comparative basis, in 1995, results were unfavorably affected by a $3.4 million Mexican peso foreign currency translation loss, whereas in December 1994, a $6 million foreign currency translation loss was recorded due to the maxi devaluation of the Mexican peso. After including the impact of facilities discontinuance and reorganization costs, operating profit of $77.2 million for the Group was more than twice the amount recorded in the prior year. The Infrastructure and Construction Group posted an operating profit of $36.3 million, excluding the impact of expense items relating to facilities discontinuance and reorganization costs, which significantly exceeded 1994. All continuing product classes posted improved results, except railway maintenance equipment which benefited in 1994 from two large international sales. On a comparative basis, operating losses during the planned shutdown of the school bus operation were lower than operating losses incurred in 1994. After including the impact of facilities discontinuance and reorganization costs (which included the $13.5 million pre-tax charge for the Federal Excise Tax settlement and the $2.1 million pre-tax charge for the school bus operation as previously discussed) operating profit of $18.7 million was recorded for the Group as compared to a $1 million loss in 1994. Operating profit for the Process Industry Products Group, at $46 million, was up 10% from 1994 due principally to improved results for gas control and containment equipment and structural composites which more than offset lower earnings for pipe fittings.

In addition to the Group reporting noted above, the Company views itself as a diversified industrial services and manufacturing company. Total industrial services sales, which include Metal Reclamation and Mill Services Group and Infrastructure and Construction Group service businesses, were $745.3 million in 1995 and $648.5 million in 1994, or approximately 50% and 48% of net sales, respectively. The Company's Metal Reclamation and Mill Services Group provides industrial services principally to steel producers. Sales for this Group were $604.2 million in 1995 compared with $523.4 million in 1994. The Infrastructure and Construction Group includes both industrial services and manufacturing businesses. This Group includes scaffolding services, primarily rentals, to the construction and industrial maintenance markets and railway services to certain railroads, as well as manufactured products consisting of grating, roofing granules and abrasives and railway maintenance equipment. Sales for this Group were $399.7 million in 1995 with industrial services contributing $141.1 million and manufacturing $258.6 million. 1994 Group sales were $391.5 million with industrial services contributing $125.1 million and manufacturing $266.4 million. The total manufacturing sales for 1995 were $750.2 million or approximately 50% of net sales, which includes sales from the Infrastructure and Construction Group of $258.6 million and $491.6 million from the Process Industry Products Group. The total manufacturing sales for 1994 were $709.2 million or approximately 52% of net sales, which includes sales from the Infrastructure and Construction Group of $266.4 million and $442.8 million from the Process Industry Products Group.

The Metal Reclamation and Mill Services Group operating profit, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, was $80 million in 1995 compared with $43.5 million in 1994. The Infrastructure and Construction Group operating profit, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, was $36.3 million in 1995 compared with $11.3 million in 1994. As stated above, this Group provides both industrial services and manufactured products. The operating profit of the service business within this Group was $16.5 million in 1995 compared with $11.7 million in 1994. The operating profit of the manufacturing business within this Group was $19.8 million in 1995 compared with a small loss in 1994. The combined operating profit, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, for industrial services for 1995 was $96.5 million compared with $55.2 million in 1994, or approximately 59% and 57%, respectively, of total Group operating profit. The combined operating profit from manufacturing, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, for 1995 was $65.8 million compared with $41.6 million in 1994. The combined operating profit from manufacturing for 1995 and 1994 includes $46 million and $42 million, respectively, from the Process Industry Products Group. The combined manufacturing operating profit for 1995 and 1994 was 41% and 43%, respectively, of total Group operating profit, excluding facilities discontinuance and reorganization costs.

1994 Compared with 1993

Revenues for 1994 were $1.47 billion, up slightly from 1993. The increase was due principally to higher sales for all three operating groups, which were well ahead of the prior year. Total revenues increased despite a substantial absence from sales of military vehicles in 1994.

Sales increased in 1994 for our three operating group, due to acquisitions in 1993, principally MultiServ International, N.V., as of August 31, 1993, and higher sales from gas control and containment equipment, scaffolding, shoring and forming equipment, metal reclamation and mill services, process equipment, railway maintenance equipment, and pipe fittings. Revenues in 1994 include Harsco's $61.9 million share of the income from its equity investment in United Defense, L.P., as well as $36.2 million of revenues resulting from the negotiated settlement of three claims with the U.S. Government relating to government furnished equipment on various contracts, the resolution of certain outstanding contractual matters regarding the military truck contract and a small claim concerning the M9 Armored Combat Earthmover.

Cost of sales was lower, principally reflecting the substantial absence of military vehicles. Internally funded research and development increased 6%, even with the absence of Defense which in past years was the principal source, due to the higher level of effort for railway maintenance equipment. Selling and administrative expenses increased as a result of the inclusion of acquired companies. Also contributing to the increase were higher sales commissions and compensation costs. On a comparative basis, administrative expenses in 1993 were reduced by the collection of $3.1 million of previously reserved bad debts related to divested operations.

Income before taxes, minority interest, and cumulative effect of accounting changes was up 8% from the comparable period last year, which included overall increased operating profits in 1994 for the three operating groups, reflecting growth for the Company's core businesses, as well as results of cost containment efforts which improved operating efficiencies. Income benefited significantly from $36.2 million of pre-tax income resulting from negotiated settlements with the U.S. Government concerning several completed contracts, which were partially offset by significantly higher interest expense, due to the debt incurred in conjunction with the acquisition and operations of MultiServ International, N.V. Also unfavorably affecting income was an $8 million pre-tax charge recorded for the impaired value of certain assets in conjunction with the Company's exit from the school bus business, a $4.7 million pre-tax provision recorded for the realizable value of the Company's investment in the five-ton truck business (including costs to complete certain contract close-out and related issues), and a $5.7 million pre-tax charge for the discontinuance and rationalization of administrative facilities at several international metal reclamation and mill services locations. Results in 1994 were unfavorably impacted by the school bus business, which incurred a loss of $16 million during the year from a lower than anticipated volume of production associated with the business, as compared to income recorded for military trucks last year, for which production was suspended in June 1993. Also, results were unfavorably affected by a $6 million foreign currency translation loss which was recorded for the Company's operations in Mexico, as a result of the maxi devaluation of the peso in December 1994, and profits from the sale of our remaining holdings of an investment in a marketable equity security were lower than the prior year principally due to fewer shares being sold in 1994. On a comparative basis, scaffolding, shoring and forming equipment recorded income in 1994 as compared with a loss in 1993. Additionally, higher earnings in 1994 were recorded for gas control and containment equipment, process equipment, roofing granules and abrasives, pipe fittings and railway maintenance equipment. Income from the Company's equity investment in United Defense, L. P., was slightly below amounts recorded in 1993 from military tracked vehicles. The effective income tax rate before minority interest for 1994 was 40% versus 41% in 1993.

Net income of $86.6 million ($1.72 per share) was slightly below 1993, which included an after-tax gain of $10.7 million ($.21 per share) on the partial sale of an investment in a marketable equity security and the favorable effect of an accounting change of $6.8 million ($.14 per share). Results for 1994 were favorably affected by higher earnings from operations for our three groups overall, as well as the net favorable effect of the after-tax negotiated settlements of $21.7 million ($.43 per share) of claims with the U.S. Government and an after-tax gain of $3.5 million ($.07 per share) on the sale of the remaining shares of an investment in a marketable equity security. Excluding these items, 1994 income was $61.4 million ($1.22 per share).

Sales of the Metal Reclamation and Mill Services Group, at $523.4 million, were significantly greater than 1993, due to the acquisition of MultiServ International, N.V. The acquisition of MultiServ International, N.V. resulted in total international sales increasing substantially over amounts recorded in 1993. International sales of $494.4 million in 1994 were slightly more than twice the amount recorded in 1993 and increased to 36% of consolidated sales compared with only 17% in 1993. Sales for the Infrastructure and Construction Group, at $391.5 million, and for the Process Industry Products Group, at $442.8 million, were well ahead of 1993 due principally to greater demand for most product classes. Sales of scaffolding, shoring and forming equipment were up 30% in the Infrastructure and Construction Group, and process equipment and gas control and containment equipment posted increases of 25% and 17%, respectively, in the Process Industry Products Group.

Operating profit, excluding the impact of the unusual expense items relating to the discontinuance and rationalization of administrative facilities at several international locations and the maxi devaluation of the Mexican peso, for the Metal Reclamation and Mill Services Group was $49.5 million, up 72% from 1993, principally due to the acquisition of MultiServ International, N.V. After including the impact of the unusual items of expense, operating profit was $37.8 million, up 31% from the comparable period. Performance was unfavorably affected in Mexico by the maxi devaluation of the peso and operating losses on a contract which was terminated in December of 1994, the ongoing rationalization of the European steel industry, as well as weak economic conditions experienced principally in the first six months of this year in certain countries in Europe, the adverse impact of foreign currency devaluations and hyperinflation in Brazil particularly during the first half of 1994, and the ongoing expensing of start-up costs for new contracts. During the latter half of 1994, performance improved due to the management reorganization completed in July and improving economic conditions in Brazil and certain European countries. The acquisition of MultiServ International, N.V. resulted in total international operating profit increasing substantially over the amount recorded in 1993. International operating profit in 1994 was up 81% from 1993 and increased to 28% of the total operating profit compared with only 8% in 1993. Although international profits increased substantially, profit margins came in slightly lower in 1994 than 1993 due principally to the maxi devaluation of the Mexican peso and a full year's amortization of cost in excess of net assets acquired in conjunction with the acquisition of MultiServ International, N.V. The Infrastructure and Construction Group with an operating profit of $11.3 million, excluding the impact of unusual expense items relating to the completed military truck contract and the school bus business, was 37% below 1993. Although most product classes posted significantly improved results, they were more than offset by the $16 million in operating losses from the school bus business. After including the impact of the unusual items of expense relating to military trucks and school buses, results for this Group reflect a $1.4 million operating loss. Operating profit for the Process Industry Products Group, at $42 million, was up 27% over the prior year and reflected improved performance for all product classes. Gas control and containment equipment and process equipment posted record results.

In addition to the Group reporting noted above, the Company views itself as a diversified industrial services and manufacturing company. Total industrial services sales, which include Metal Reclamation and Mill Services Group and Infrastructure and Construction Group service businesses were $648.5 million in 1994 and $348.9 million in 1993, or approximately 48% and 25% of net sales, respectively. The Company's Metal Reclamation and Mill Services Group provides industrial services principally to steel producers. Sales for this Group were $523.4 million in 1994 compared with $268.1 million in 1993. The Infrastructure and Construction Group includes both industrial services and manufacturing businesses. This Group includes scaffolding services, primarily rentals, to the construction and industrial maintenance markets and railway services to certain railroads, as well as manufactured products consisting of grating, roofing granules and abrasives and railway maintenance equipment. Sales for this Group were $391.5 million in 1994 with industrial services contributing $125.1 million and manufacturing $266.4 million. 1993 Group sales were $306.3 million, with industrial services contributing $80.8 million and manufacturing $225.5 million. Total manufacturing sales for 1994 were $709.2 million or approximately 52% of net sales, which includes sales from the Infrastructure and Construction Group of $266.4 million and $442.8 million from the Process Industry Products Group. The total manufacturing sales for 1993 were $1.1 billion or approximately 75% of net sales, which includes sales from all Groups except Metal Reclamation and Mill Services and the industrial services sales included in Infrastructure and Construction.

The Metal Reclamation and Mill Services Group operating profit, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, was $43.5 million in 1994 compared with $28.8 million in 1993. The Infrastructure and Construction Group operating profit, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, was $11.3 million in 1994 compared with $17.9 million in 1993. As stated above, this Group provides both industrial services and manufactured products. The operating profit of the service business within this Group was $11.7 million in 1994 compared with $2.9 million in 1993. The manufacturing business within this Group incurred a small loss in 1994 compared with $15 million in operating profit in 1993. The combined operating profit, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, for industrial services for 1994 was $55.2 million compared with $31.7 million in 1993, or approximately 57% and 22%, respectively, of total Group operating profit. The combined operating profit from manufacturing, excluding the effect of expense items relating to facilities discontinuance and reorganization costs, for 1994 was $41.6 million compared with $115.2 million in 1993. The combined operating profit from manufacturing for 1994 and 1993 was 43% and 78%, respectively, of total Group operating profit, excluding facilities discontinuance and reorganization costs.

RESEARCH AND DEVELOPMENT

The Company spent $5.1 million on internal research and development programs in 1996. Internal funding for the Infrastructure and Construction Group amounted to $3.5 million, primarily for railway maintenance of way equipment and services. Expenditures for Process Industry Products and the Metal Reclamation and Mill Services Groups were $1 million and $0.6 million, respectively. Total internal research and development spending of $5.1 million increased 5% above the $4.9 million spent in 1995.

BACKLOG

The year-end backlog for the Process Industry Products Group was $117.1 million, an 18% increase over December 31, 1995. The Infrastructure and Construction Group backlog at December 31, 1996 was $94.6 million which increased 63% over December 31, 1995, due principally to increases in railway maintenance of way services and equipment. Backlog for scaffolding, shoring and forming equipment, and for roofing granules and slag abrasives are not included in the Infrastructure and Construction Group's total backlog, because they are generally not quantifiable. Contracts for the Metal Reclamation and Mill Services Group are also excluded from the total backlog. These contracts, having an estimated value of more than $2.6 billion at year-end, extending into the year 2007, increased approximately 13% over December 31, 1995.

OUTLOOK FOR 1997

The progress made in 1996, with upward trends in sales, income, and backlogs underpins our view that Harsco's core businesses will continue to grow in 1997.

We expect metal reclamation and mill services to expand further in 1997, with both new customers and broader product service offerings to existing customers. This revenue growth combined with ongoing cost saving and productivity initiatives, should again yield improved results. We expect to offer more scaffolding services to the construction and industrial maintenance markets, as we open five more branches in addition to the eight opened in 1996, and broaden the introduction of our new Sprint Scaffolding line. Further, we anticipate the expansion of services in the railway maintenance of way equipment market, led by a broadening of our "Tie Masters" program and R&D efforts. The refocusing of the Company, begun in 1994, shifting the emphasis to industrial services, in contrast to our past primary focus on manufacturing, will continue. We anticipate growth from our manufacturing businesses, led by the expansion of the product offerings of our gas containment and process equipment businesses internationally. Capital expenditures could exceed 1996's record $150 million level, as we further pursue internal growth opportunities.

Achievement of this sales and income growth plan should more than offset the anticipated decline of our defense industry partnership equity income in 1997.

Subject to major economic, political and foreign currency changes, we believe that our operations will achieve our goals for increased returns on capital, assets and equity. Cash flows from operating activities are expected to approximate 1996's. We expect to further improve our debt-to-capital ratio, excluding the impact of major acquisitions, and fulfill our other stated financial objectives, while investing appropriately for sustainable growth in our businesses.

SAFE HARBOR STATEMENT

The nature of the Company's operations and the many countries in which it operates subject it to changing economic, competitive, regulatory, and technological conditions, risks, and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. These include statements about our management confidence and strategies for performance; expectations for new and existing products, technologies, and opportunities; and expectations for market segment and industry growth.

These factors include, but are not limited to: (1) changes in the world-wide business environment in which the Company operates, including import, licensing and trade restrictions, interest rates, and capital costs; (2) changes in governmental laws and regulations, including taxes; (3) market and competitive changes, including market demand and acceptance for new products, services, and technologies; and (4) effects of unstable governments and business conditions in emerging economies.

DIVIDEND ACTION

The Company paid four quarterly cash dividends of $.19 cents per share in 1996, for an annual rate of $.76. At the November meeting, the Board of Directors increased the dividend 5.3% to an annual rate of $.80 per share. In addition, the Board approved a two-for-one common stock split. One additional share will be issued for each share of common stock held by shareholders of record as of the close of business on January 15, 1997. New shares will be distributed on February 14, 1997. The Board normally reviews the dividend periodically during the year and annually at its November meeting. Retained earnings in the amount of $794.5 million are free of restrictions for payment of dividends.

Harsco is proud of its history of paying dividends. The Company has paid dividends each year since 1939. The February 1997 payment marked the 187th consecutive quarterly dividend paid at the same or at an increased rate. During the five-year period ended December 31, 1996, dividends paid were increased four times. In 1996, the dividend payout rate was 31.9%. Harsco is philosophically committed to maintaining or increasing the dividend at a sustainable level.

ENHANCING SHAREHOLDER VALUE

A guiding principle of the Company is to build a tradition of creating shareholder value. To that end, Harsco is striving to exceed a Return on Capital ("ROC") of 14% in 1997. Each Division's performance is also evaluated using the ROC measurement which is calculated by dividing net income excluding after-tax interest expense charges, by quarterly weighted average total debt and equity. In 1996, the Company's ROC was 14.1%. In addition to this key earnings-related measurement, incentive programs for both Division and Corporate management are based on sales growth, operating cash flow and earnings per share goals. Harsco raised two other Corporate goals in 1996 - to consistently achieve a Return on Equity ("ROE") of 17% - 18% and a Return on Assets ("ROA") of 15% - 16%. In 1996, the Company's ROE was 18.2% and ROA was 16.8%. Enhanced shareholder value will be obtained by developing and maintaining lead industry positions in the markets served through the delivery of products and services that provide the best value to the customer.

PART IV

Item 8. Financial Statements and Supplementary Data:

Index to Consolidated Financial Statements and Supplementary Data

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Harsco Corporation:

We have audited the accompanying consolidated balance sheets of Harsco Corporation and Subsidiary Companies as of December 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harsco Corporation and Subsidiary Companies as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/Coopers & Lybrand L.L.P.
Philadelphia, Pennsylvania
January 30, 1997

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1996 AND 1995

(In thousands, except share amounts)	1996	1995
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 45,862	$ 76,669
Accounts receivable, net	268,230	272,858
Inventories	126,018	123,285
Other current assets	68,436	60,954
TOTAL CURRENT ASSETS	508,546	533,766
Property, plant and equipment, net	513,112	459,809
Cost in excess of net assets of businesses acquired, net	195,387	205,801
Investments in debt securities	4,058	21,007
Investments in unconsolidated entities	57,719	45,604
Other assets	45,597	44,675
	$1,324,419	$1,310,662
LIABILITIES		
CURRENT LIABILITIES		
Short-term borrowings	$ 16,856	$ 5,704
Current maturities of long-term debt	9,326	103,043
Accounts payable	111,912	112,736
Accrued compensation	44,501	41,304
Income taxes	9,860	17,671
Dividends payable	9,920	9,520
Other current liabilities	91,652	98,534
TOTAL CURRENT LIABILITIES	294,027	388,512
Long-term debt	227,385	179,926
Deferred income taxes	34,182	36,061
Insurance liabilities	38,876	37,298
Other liabilities	48,662	42,874
	643,132	684,671
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, Series A junior participating cumulative preferred stock	--	--
Common stock, par value $1.25, issued 65,458,202 and 32,537,880 shares, respectively	81,823	40,672
Additional paid-in capital	69,151	101,183
Cumulative translation adjustments	(25,476)	(19,852)
Cumulative pension liability adjustments	(619)	(413)
Retained earnings	794,473	713,774
	919,352	835,364
Treasury stock, at cost (15,855,850 and 7,486,331 shares, respectively)	(238,065)	(209,373)
	681,287	625,991
	$1,324,419	$1,310,662

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS 1996, 1995 AND 1994

(In thousands, except per share)	1996	1995	1994
REVENUES			
Net sales	$1,557,643	$1,495,466	$1,357,715
Equity in income of unconsolidated entities	50,083	57,031	64,120
Gain on sale of investments	--	--	5,966
Other revenues	773	1,520	37,980
TOTAL REVENUES	1,608,499	1,554,017	1,465,781
COSTS AND EXPENSES			
Cost of sales	1,176,982	1,147,467	1,060,695
Selling, general and administrative expenses	207,502	198,706	199,837
Research and development expenses	5,108	4,876	5,463
Facilities discontinuance and reorganization costs	3,280	22,809	17,143
Other	209	(5,018)	6,158
TOTAL COSTS AND EXPENSES	1,393,081	1,368,840	1,289,296
Income before interest, income taxes and minority interest	215,418	185,177	176,485
Interest income	6,949	7,472	6,403
Interest expense	(21,483)	(28,921)	(34,048)
Income before income taxes and minority interest	200,884	163,728	148,840
Provision for income taxes	76,336	63,854	59,536
Income before minority interest	124,548	99,874	89,304
Minority interest in net income	5,539	2,497	2,751
NET INCOME	$ 119,009	$ 97,377	$ 86,553
NET INCOME PER COMMON SHARE	$ 2.39	$ 1.93	$ 1.72
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	49,883	50,493	50,230

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS 1996, 1995 AND 1994

(In thousands)	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 119,009	$ 97,377	$ 86,553
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	100,137	95,033	90,179
Amortization	9,262	9,830	9,410
Gain on sale of investments	--	--	(5,966)
Equity in income of unconsolidated entities	(50,083)	(57,031)	(64,120)
Dividends or distributions from unconsolidated entities	38,474	38,400	71,845
Deferred income taxes	(829)	(19,018)	273
Write-off of federal excise tax receivable	--	13,455	--
Other, net	5,429	(1,890)	7,902
Changes in assets and liabilities, net of acquisitions and dispositions of businesses and formation of a partnership:			
Accounts receivable	(138)	73,732	(34,263)
Inventories	3,100	(1,583)	(7,302)
Accounts payable	4,086	4,955	14,191
Advances on long-term contracts	296	(1,623)	(9,636)
Other assets and liabilities	(11,541)	7,178	2,329
NET CASH PROVIDED BY OPERATING ACTIVITIES	217,202	258,815	161,395
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(150,294)	(113,895)	(90,928)
Purchase of businesses, net of cash acquired*	(21,062)	(4,145)	--
Proceeds from sale of businesses	1,793	3,821	2,444
Proceeds from sale of property, plant and equipment	4,890	11,491	8,222
Proceeds from sale of investment held available-for-sale	--	--	7,617
Investments held-to-maturity: Purchases	(14,300)	(3,067)	(15,750)
Maturities	26,561	5,475	24,740
Other investing activities	(813)	2,989	(9,495)
NET CASH (USED) BY INVESTING ACTIVITIES	(153,225)	(97,331)	(73,150)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings, net	10,911	(13,998)	(35,303)
Current maturities and long-term debt: Additions	187,319	27,076	123,445
Reductions	(229,914)	(95,884)	(164,662)
Cash dividends paid on common stock	(37,921)	(37,397)	(35,137)
Common stock issued-options	5,726	5,660	7,241
Common stock acquired for treasury	(30,657)	(14,130)	--
Other financing activities	1,592	605	1,376
NET CASH (USED) BY FINANCING ACTIVITIES	(92,944)	(128,068)	(103,040)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,840)	(297)	(395)
Net increase (decrease) in cash and cash equivalents	(30,807)	33,119	(15,190)
Cash and cash equivalents at beginning of year	76,669	43,550	58,740
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 45,862	$ 76,669	$ 43,550
*PURCHASE OF BUSINESSES, NET OF CASH ACQUIRED			
Working capital, other than cash	$ (7,625)	$ 5,139	$ --
Property, plant and equipment	(12,315)	(8,263)	--
Other noncurrent assets and liabilities, net	(1,122)	(1,021)	--
NET CASH USED TO ACQUIRE BUSINESSES	$ (21,062)	$ (4,145)	$ --

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS 1996, 1995 AND 1994

(In thousands, except share amounts)	COMMON STOCK ISSUED	COMMON STOCK TREASURY	ADDITIONAL PAID-IN CAPITAL	CUMULATIVE ADJUSTMENTS TRANSLATION	CUMULATIVE ADJUSTMENTS PENSION LIABILITY	RETAINED EARNINGS
BALANCES, JANUARY 1, 1994	$40,143	$(190,487)	$ 86,436	$(16,059)	$(107)	$ 603,158
Net income						86,553
Cash dividends declared, $1.42 per share						(35,715)
Translation adjustments				39		
Pension liability adjustments, net of $5 deferred income taxes					8	
Acquired during the year, 14,991 shares		(677)				
Stock options exercised, 229,054 shares	286		7,627			
Other, 386 shares		10	7			
BALANCES, DECEMBER 31, 1994	40,429	(191,154)	94,070	(16,020)	(99)	653,996
Net income						97,377
Cash dividends declared, $1.49 per share						(37,599)
Translation adjustments				(3,832)		
Pension liability adjustments, net of $200 deferred income taxes					(314)	
Acquired during the year, 325,861 shares		(18,245)				
Stock options exercised, 194,327 shares	243		7,092			
Other, 833 shares		26	21			
BALANCES, DECEMBER 31, 1995	40,672	(209,373)	101,183	(19,852)	(413)	713,774
Net income						119,009
Cash dividends declared, $1.54 per share						(38,310)
Translation adjustments				(5,624)		
Pension liability adjustments, net of $157 deferred income taxes					(206)	
Acquired during the year, 472,471 shares		(29,875)				
Stock options exercised, 191,221 shares	239		8,038			
Restricted stock issued, net, 30,183 shares		1,159	824			
Other, 694 shares		24	18			
Two-for-one stock split at par value (additional shares issued 32,729,101 including 7,927,925 treasury shares)*	40,912		(40,912)			
BALANCES, DECEMBER 31, 1996	$81,823	$(238,065)	$ 69,151	$(25,476)	$(619)	$ 794,473

* See Note 2 to the consolidated financial statements.

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of Harsco Corporation and its majority-owned subsidiaries ("Company"). Investments in United Defense, L.P., a 40% owned partnership and other unconsolidated entities are accounted for on the equity method. The income of unconsolidated entities is on a pre-tax basis for United Defense, L.P. as it is a partnership, and net of taxes for all other unconsolidated entities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid debt instruments purchased with a maturity of three months or less.

INVESTMENTS IN DEBT AND EQUITY SECURITIES

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). The cumulative effect resulting from the adoption of SFAS 115 in 1994 was immaterial. Prior to the adoption of SFAS 115, the Company's investments in marketable equity securities were reported at the lower of cost or market, and marketable debt securities at amortized cost which approximated market.

Marketable debt securities are classified as held-to-maturity. Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Interest on securities classified as held-to-maturity is included in interest income.

The Company also had an investment in a marketable equity security that was classified as available-for-sale at January 1, 1994. The realized gain was reflected in the Company's Consolidated Statements of Income in 1994.

INVENTORIES

Inventories are stated at the lower of cost or market. Inventories in the United States are accounted for using principally the last-in, first-out (LIFO) method. All other inventories are accounted for using the first-in, first-out (FIFO) method and average cost.

- --

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION AND AMORTIZATION

Property, plant and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When property is retired from service, generally the cost of the retirement is charged to the allowance for depreciation to the extent of the accumulated depreciation and the balance is charged to income.

Cost in excess of net assets of businesses acquired is amortized on a straight-line basis over periods not to exceed 30 years. The Company's policy is to record an impairment loss against the net unamortized cost in excess of net assets of businesses acquired in the period when it is determined that the carrying amount of the asset may not be recoverable. An evaluation is made at each balance sheet date (quarterly) and it is based on such factors as the occurrence of a significant event, a significant change in the environment in which the business operates or if the expected future net cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. Accumulated amortization was $42.7 and $34.5 million at December 31, 1996 and 1995, respectively.

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121). SFAS 121 requires that long-lived assets, including related goodwill, be reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company evaluates long-lived assets for impairment by individual business unit. The cumulative effect resulting from the adoption of SFAS 121 in 1996 was immaterial.

INCOME TAXES

All U.S. federal and state income taxes and non-U.S. income taxes are provided currently on the undistributed earnings of international subsidiaries and unconsolidated affiliated entities, giving recognition to current tax rates and applicable foreign tax credits.

ENVIRONMENTAL COMPLIANCE AND REMEDIATION

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. The timing of these accruals generally coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

In October 1996, Statement of Position 96-1, "Environmental Remediation Liabilities" was issued. The statement is effective for years beginning after December 15, 1996. This statement provides guidance for recognizing, measuring and disclosing environmental remediation liabilities. The Company does not expect this statement to have a material effect on its financial position or results of operations.

- --

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASUALTY AND PROPERTY INSURANCE

The Company is insured for workers' compensation, automobile, general, and product liability losses through a risk retention program. The Company accrues for the estimated losses occurring from both asserted and unasserted claims. The estimate of the liability for unasserted claims arising from unreported incidents is based on an analysis of historical claims data. The Company has a wholly-owned captive insurance company for the payment of its claims under this risk retention program. Annual contributions are made by the Company to the captive insurance company to provide funding for its retained risk. The Company self-insures its workers' compensation exposures in the states of Ohio and Pennsylvania. The Company accrues for their losses in the same fashion as described above; however, funding is made from operating earnings. The Company generally insures its property on an all-risk basis through conventional insurers with a minor deductible applicable to each loss.

FOREIGN CURRENCY TRANSLATION

The financial statements of the Company's subsidiaries outside the United States, except for those subsidiaries located in highly inflationary economies, are principally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. Resulting translation adjustments are recorded in the cumulative translation adjustment, a separate component of shareholders' equity. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in net income. For subsidiaries operating in highly inflationary economies, gains and losses on foreign currency transactions and balance sheet translation adjustments are included in net income.

Effective January 1997, the Company's operations in Mexico will be treated as a highly inflationary economy for the purpose of applying Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation". This change is due to the three-year cumulative rate of inflation for Mexico at December 31, 1996 exceeding 100 percent. The functional currency for the Company's operations in Mexico will change from the peso to the U.S. dollar.

FINANCIAL INSTRUMENTS AND HEDGING

The Company has subsidiaries principally operating in North and South America, Europe and the Pacific region. These operations are exposed to fluctuations in related foreign currencies, in the normal course of business. The Company seeks to reduce exposure to foreign currency fluctuations, primarily the European currencies, through the use of forward exchange contracts. The Company does not hold or issue financial instruments for trading purposes, and it is the Company's policy to prohibit the use of derivatives for speculative purposes. The Company has a Foreign Currency Risk Management Committee that meets periodically to monitor foreign currency risks.

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company enters into forward foreign exchange contracts to hedge transactions on its non-U.S. subsidiaries, for firm commitments to purchase equipment and for export sales denominated in foreign currencies. These contracts generally are for 90 to 180 days or less. For those contracts that hedge an identifiable transaction, gains or losses are deferred and accounted for as part of the underlying transactions. The cash flows from forward exchange contracts accounted for as hedges of identifiable transactions are classified consistent with the cash flows from the transaction being hedged. The Company also enters into forward foreign exchange contracts for intercompany foreign currency commitments. These foreign exchange contracts do not qualify as hedges for financial reporting purposes, and any related gain or loss is included in income on a current basis.

OPTIONS FOR COMMON SHARES

The Company applies the intrinsic value based method prescribed in Accounting Principles Board Opinion No. 25 (APB 25) to account for options granted to employees and directors to purchase common shares. No compensation expense is recognized on the grant date since, at that date, the option price equals the market price of the underlying common shares. Effective January 1, 1996, the Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 requires that companies electing to continue using the intrinsic value method must make pro forma disclosures of net income and earnings per share as if the fair-value-based method of accounting had been applied.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- --

2. COMMON STOCK SPLIT

On November 19, 1996, the Board of Directors declared a two-for-one stock split on the Company's common stock. One additional share will be issued for each share of common stock held by shareholders of record as of the close of business on January 15, 1997. New shares will be distributed on February 14, 1997. Common stock and additional paid-in capital as of December 31, 1996 have been restated to reflect this split. Par value will remain unchanged at $1.25. The number of shares issued at December 31, 1996, after giving effect to the split, was 65,458,202 (32,729,101 shares issued before the split).

The effect of the stock split has been retroactively reflected as of December 31, 1996 in the consolidated balance sheet and statement of changes in shareholders' equity, but activity for 1996 and prior periods was not restated in those statements. All references to the number of common shares and per share amounts elsewhere in the consolidated financial statements and related footnotes have been restated as appropriate to reflect the effect of the split for all periods presented.

- --

3. ACQUISITIONS, DIVESTITURES AND FORMATION OF DEFENSE BUSINESS PARTNERSHIP

ACQUISITIONS AND DIVESTITURES OF BUSINESSES

On April 29, 1996, the Company acquired substantially all the assets of the Coyne Cylinder business ("Coyne") of Huntsville, Alabama, for $19 million in cash and the assumption of certain liabilities for a total consideration of approximately $22.2 million. Coyne had annual sales of approximately $45 million in 1995. It is the world's leading manufacturer of acetylene, small and intermediate high pressure and specialty cylinders, and also produces scuba tanks and cylinder caps.

On February 6, 1995, the Company acquired substantially all the assets of Fabsco, Inc. for $3.4 million in cash and the assumption of certain liabilities for a total consideration of approximately $14.8 million. Fabsco, a privately held manufacturer of heat exchanger products, had annual sales of approximately $22 million in 1994.

The acquisitions are accounted for under the purchase method of accounting and include the results of operations since the dates of acquisition. Proforma results are not presented for the periods prior to the acquisitions because the effect would not be material.

Effective April 1, 1996, the Company divested its non-core temporary labor units in Europe for approximately $2 million. The businesses had annual sales of approximately $22 million.

During 1996 and 1995, the Company also acquired and divested other smaller operations.

FORMATION OF DEFENSE BUSINESS PARTNERSHIP

On January 28, 1994, FMC Corporation ("FMC") and the Company announced completion of a series of agreements ("Agreements") to combine certain assets and liabilities of FMC's Defense Systems Group ("DSG") and the Company's BMY-Combat Systems Division ("BMY-CS"). The effective date of the combination was January 1, 1994. The combined company, United Defense, L.P., operates as a limited partnership ("Partnership"). FMC as the Managing General Partner has a 60 percent equity interest, and Harsco Defense Holding, Inc., a wholly owned subsidiary of the Company, as the Limited Partner has a 40 percent equity interest. The Company contributed to the Partnership net assets of $29.6 million, which included $5.2 million in cash. The net assets were contributed on the historical basis of accounting and no gain was recognized on the transaction.

3. ACQUISITIONS, DIVESTITURES AND FORMATION OF DEFENSE BUSINESS PARTNERSHIP (CONTINUED)

The Partnership has an Advisory Committee comprised of ten individuals, six appointed by FMC and four appointed by the Company which considers and discusses Partnership issues. FMC as the managing general partner exercises management control over the Partnership subject to the Company's right to consent to certain actions delineated in the Partnership Agreement. Additionally, the Partnership Agreement contains certain exit rights for both Partners any time more than 25 months after the formation of the Partnership including the right of the Company to sell its interest to the Partnership (payable by a promissory note from the Partnership) based upon a calculation of 95% of appraised value, and the right of FMC or the Partnership to buy the Company's interest (payable in cash) based upon a calculation of 110% of appraised value. Appraised value is substantially the fully distributed public equity trading value of the Partnership as determined by three investment banking firms in accordance with certain contractual stipulations, multiplied by the Company's percentage interest in the Partnership. The Partnership Agreement provides for certain special capital account allocations and cash distributions, but otherwise allocates and distributes income in proportion to the partners' percentage ownership. Under the Participation Agreement between FMC and the Company, each Partner generally is financially accountable to the Partnership for environmental conditions occurring prior to formation of the Partnership at facilities or properties previously operated or used in their respective businesses, to the extent that costs incurred are not recovered from third parties or not covered by environmental accruals contributed by the parties at formation. The Company retained the rights and any liabilities associated with certain pending major claims between the Company and the U.S. Government, and the Company and the government of Iran. See Note 10, "Commitments and Contingencies" for additional disclosure on these claims.

4. INVESTMENTS IN DEBT SECURITIES

The debt securities held-to-maturity at December 31, 1996 and 1995 consist of:

(In thousands)	1996			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Corporate debt securities	$23,468	$ 63	$14	$23,517
Government debt securities non-U.S.	9,770	45	7	9,808
	$33,238	$108	$21	$33,325

(In thousands)	1995			
	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Corporate debt securities	$28,753	$219	$58	$28,914
Government debt securities non-U.S.	17,250	161	39	17,372
	$46,003	$380	$97	$46,286

The amortized cost and fair market value of fixed income debt securities at December 31, 1996 and 1995, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities, because the borrowers may have the right to call or prepay obligations.

(In thousands)	1996		1995	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Held to maturity				
Due in one year or less	$29,180	$29,224	$24,996	$24,954
Due after one year through five years	4,058	4,101	21,007	$21,332
	$33,238	$33,325	$46,003	$46,286

Investments held to maturity due in one year or less are included in Other current assets on the Consolidated Balance Sheets.

5. INVENTORIES AND ACCOUNTS RECEIVABLE

Inventories consist of:

(In thousands)	1996	1995
Finished goods	$ 24,743	$ 25,996
Work in process	25,843	24,640
Raw materials and purchased parts	57,581	54,151
Stores and supplies	17,851	18,498
	$126,018	$123,285
Valued at lower of cost or market:		
LIFO basis	$ 90,445	$ 89,239
FIFO basis	24,663	23,860
Average cost basis	10,910	10,186
	$126,018	$123,285

Inventories valued on the LIFO basis at December 31, 1996 and 1995 were approximately $37.1 million and $37.9 million, respectively, less than the amounts of such inventories valued at current costs.

As a result of reducing certain inventory quantities valued on the LIFO basis, profits from liquidation of inventories were recorded, which increased net income (in millions) by $0.6, $0.5 and $0.3 in 1996, 1995 and 1994, respectively.

Accounts receivable are net of an allowance for doubtful accounts of $8.5 million and $8.3 million at December 31, 1996 and 1995, respectively.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

(In thousands)	1996	1995
Land and improvements	$ 26,479	$ 25,351
Buildings and improvements	129,930	121,651
Machinery and equipment	981,384	896,139
Uncompleted construction	49,659	37,126
	1,187,452	1,080,267
Less accumulated depreciation	674,340	620,458
	$ 513,112	$ 459,809

The estimated useful lives of different types of assets are:

Land improvements	10 years
Buildings and improvements	10 to 50 years
Certain plant, buildings and installations (Principally Metal Reclamation and Mill Services Group)	5 to 15 years
Machinery and equipment	3 to 20 years

7. INVESTMENTS IN UNCONSOLIDATED ENTITIES

The Company has a 40% interest in United Defense, L. P. which principally manufactures ground combat vehicles for the U.S. and international governments. The Company's other investments are in the Metal Reclamation and Mill Services Group. The following table presents summarized financial information on a combined 100% basis of the companies accounted for by the equity method:

(In thousands)	1996	1995	1994
Current assets	$ 461,204	$ 378,430	$ 321,596
Noncurrent assets	194,358	202,701	187,896
Current liabilities ..	411,003	364,385	315,983
Noncurrent liabilities	57,247	52,801	56,485
Net sales	1,042,821	1,003,562	1,129,528
Costs and expenses ...	973,247	892,733	983,955
Net income	99,958	110,250	134,441

The Company's share of income of all unconsolidated entities was (in millions) $50.1, $57.0 and $64.1 for 1996, 1995 and 1994, respectively.

- --

8. DEBT AND CREDIT AGREEMENTS

In July 1996, the Company amended and increased to $400 million, from $300 million, its October 1993 Five-Year Competitive Advance and Revolving Credit Facility ("credit facility") with a syndicate of 18 banks led by Chase Manhattan Bank. The five-year facility, as amended, extends maturity to July 2001, provides for greater financial flexibility and reflects favorable syndicated credit pricing. Borrowings under this agreement are available in U.S. dollars or Eurocurrencies and it serves as back-up to the Company's U. S. commercial paper program. Interest rates are either a negotiated rate, a rate based upon the U.S. federal funds interbank market, prime rate, or a rate based upon the London Interbank Offered Rate (LIBOR) plus a margin. The Company pays a facility fee based upon the full amount of the facility that varies based upon its credit ratings. The agreement currently provides for a facility fee of 0.08% per annum. At December 31, 1996 and 1995, there were no borrowings outstanding under these facilities.

The Company also has a commercial paper borrowing program under which it can issue up to $300 million, an increase from $150 million, of short-term notes in the U.S. commercial paper market. This commercial paper program is supported by the credit facility. In addition, the Company in September 1996 initiated a Belgian commercial paper program. The 3 billion Belgian franc program is equivalent to approximately US $100 million. The Belgian program will be used to borrow a variety of Eurocurrencies in order to fund the Company's European operations more efficiently and in appropriate currencies. The Company limits the aggregate commercial paper and credit facility borrowings at any one time to a maximum of $400 million. Interest rates are based upon market conditions, but are generally lower than comparable borrowings under the committed bank credit facility. At December 31, 1996, $36.6 million of commercial paper was outstanding. At December 31, 1995, the Company had no commercial paper outstanding. Commercial paper is classified as long-term debt at December 31, 1996, because the Company has the ability and intent to refinance it on a long-term basis through existing long-term credit facilities.

Short-term debt, including overdraft facilities, amounted to $16.9 million and $5.7 million at December 31, 1996 and 1995, respectively. The weighted average interest rate for short-term borrowings at December 31, 1996 and 1995 was 6.9% and 7.3%, respectively.

8. DEBT AND CREDIT AGREEMENTS (CONTINUED)

Long-term debt consists of the following:

(In thousands)	1996	1995
8.75% Notes due May 15, 1996	$ --	$ 89,500
6.0% Notes due September 15, 2003	150,000	150,000
Commercial Paper Borrowings with interest up to 3.6%	36,614	--
Industrial Development Bonds, payable in varying amounts from 2001 to 2005 with interest up to 7.0%	11,400	11,400
Project financing and other, payable in varying amounts to 2001 with interest up to 17.2%	38,697	32,069
	236,711	282,969
Less current maturities	9,326	103,043
	$227,385	$179,926

The five-year facility and certain notes payable agreements contain covenants restricting, among other things, the amount of debt that can be issued as defined. At December 31, 1996, the Company was in compliance with these covenants.

The maturities of long-term debt for the four years following December 31, 1997, are:

(In thousands)

1998	$6,421	2000	$ 1,142
1999	$2,308	2001	$62,345

Cash payments for interest on all debt were (in millions) $20.3, $28.8 and $33.5 in 1996, 1995 and 1994, respectively.

The Company has on file with the Securities and Exchange Commission, a Form S-3 shelf registration for the possible issuance of up to an additional $200 million of new debt securities, preferred stock or common stock.

9. LEASES

The Company leases certain property and equipment under noncancelable operating leases. Rental expense under all operating leases was (in millions) $13.7, $12.2 and $10.9 in 1996, 1995 and 1994, respectively.

Future minimum lease payments under operating leases with noncancelable terms are:

(In thousands)	1997	1998	1999	2000	2001	After 2001
Minimum Lease Payments	$11,515	$8,085	$4,930	$4,080	$3,686	$14,584

10. COMMITMENTS AND CONTINGENCIES

FEDERAL EXCISE TAX AND OTHER MATTERS RELATED TO THE FIVE-TON TRUCK CONTRACT

In the third quarter of 1995, the Company, the United States Army, and the United States Department of Justice concluded a settlement of the Company's previously reported claims against the Army relating to Federal Excise Tax ("FET") arising under a completed 1986 contract for the sale of five-ton trucks to the Army. On September 27, 1995, the Army paid the Company $49 million in accordance with the settlement terms. The Company released the Army from any further liability for those claims, and the Department of Justice released the Company from a threatened action for damages and civil penalties based on an investigation conducted by the Department's Commercial Litigation Branch that had been pending for several years. During the performance of the five-ton truck contract, the Company recorded an account receivable of $62.5 million for its claims against the Army relating to Federal Excise Tax. As a result of accepting the $49 million in settlement, the Company recorded a non-recurring, pre-tax, non-cash charge of $13.5 million (after-tax charge of $8.2 million, $.16 per share), in the third quarter of 1995.

The settlement preserves the rights of the parties to assert claims and defenses under the Internal Revenue Code, and rights of the Army and the Company to claim certain amounts that may be owed by either party to reconcile possible underpayments or overpayments on the truck contract as part of the formal contract close-out process.

The settlement does not resolve the claim by the Internal Revenue Service that, contrary to the Company's position, certain cargo truck models sold by the Company should be considered to have gross vehicle weights in excess of the 33,000 pound threshold under the Federal Excise Tax law, are not entitled to an exemption from the Federal Excise Tax under any other theory, and therefore are taxable. On December 19, 1996, the District Director of the Internal Revenue Service issued a 30-day letter and examination report (the "Report") that proposed an increase in Federal Excise Tax of $33.7 million plus penalties of $6.9 million and applicable interest currently estimated by the Company to be $27.8 million, primarily on the grounds that those cargo truck models are subject to the Federal Excise Tax. This proposed increase in Federal Excise Tax takes into account offsetting credits of $9.2 million, based on a partial allowance of the Company's $23.4 million claim that certain truck components are exempt from the Federal Excise Tax. The Report disallowed in full the Company's additional claim that it is entitled to the entire $52 million of Federal Excise Tax (plus applicable interest currently estimated by the Company to be $25.8 million) the Company has paid on the five-ton trucks, on the grounds that such trucks qualify for the Federal Excise Tax exemption applicable to certain vehicles specially designed for the primary function of off-highway transportation. In the event that the Company ultimately receives from the Internal Revenue Service a refund of tax (including applicable interest) with respect to which the Company has already received reimbursement from the Army, the refund would be allocated between the Company and the Army. The Company plans to vigorously contest the findings of the District Director and is protesting these findings to the Internal Revenue Service Office of the Regional Director of Appeals. Although there is risk of an adverse outcome, the Company believes that the cargo trucks are not taxable. No recognition has been given in the accompanying financial statements for the Company's claim or the dispute with the Internal Revenue Service.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The settlement agreement with the Army preserves the Company's right to seek reimbursement of after-imposed tax from the Army in the event that the cargo trucks are determined to be taxable, but the agreement limits the reimbursement to a maximum of $21 million. Additionally, in an earlier contract modification, the Army accepted responsibility for $3.6 million of the potential tax, bringing its total potential responsibility up to $24.6 million.

Under the settlement, the Army agreed that if the cargo trucks are determined to be taxable, the 1993 decision of the Armed Services Board of Contract Appeals (which ruled that the Company is entitled to a price adjustment to the contract for reimbursement of FET paid on vehicles that were to be delivered after October 1, 1988) will apply to the question of the Company's right to reimbursement from the Army for after-imposed taxes on the cargo trucks. In the Company's view, application of the 1993 decision will favorably resolve the principal issues regarding any such future claim by the Company. Therefore, the Company believes that even if the cargo trucks are ultimately held to be taxable, the Army would be obligated to reimburse the Company for a majority of the tax, (but not interest or penalty, if any), resulting in a net maximum liability for the Company of $9.1 million plus penalties of $6.9 million and applicable interest currently estimated by the Company to be $27.8 million. The Company believes it is unlikely that resolution of this matter will have a material adverse effect on the Company's financial position, however, it could have a material effect on quarterly or annual results of operations.

In August 1994, the Company and the Government signed a modification to the five-ton truck contract resolving all outstanding contractual matters concerning that agreement with certain limited exceptions including FET related matters. The contract modification included resolution of the Company's claims described in earlier Company filings for contract changes, inadequate technical data package, and delays and disruptions. The modification provided for an increase of $12.5 million in the contract price. This price increase yielded net revenue to the Company of approximately $12 million after related excise tax and other associated costs. The Company recognized such amount as Other revenues in the Consolidated Statements of Income in the third quarter of 1994.

M9 ARMORED COMBAT EARTHMOVER CLAIM

The Company and its legal counsel are of the opinion that the U.S. Government did not exercise option three under the M9 Armored Combat Earthmover (ACE) contract in a timely manner, with the result that the unit prices for options three, four and five are subject to renegotiation. Claims reflecting the Company's position have been filed with respect to all options purported to be exercised, totaling in excess of $60 million plus interest. No recognition has been given in the accompanying financial statements for any recovery on these claims. In July 1995, the Armed Services Board of Contract Appeals denied the motions for summary judgment which had been filed by both the Company and the Government. The Company is continuing to pursue its claim before the Armed Services Board of Contract Appeals.

In addition, in 1994 the Company negotiated a settlement with the U.S. Government of a smaller outstanding claim concerning this contract which provided for payment of $3.8 million by the U.S. Government to Harsco. The Company recognized such amount as Other revenues in the Consolidated Statements of Income in the first quarter of 1994.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

GOVERNMENT-FURNISHED EQUIPMENT OVERCHARGE CLAIM

The Company filed a claim in the Armed Services Board of Contract Appeals asserting that the United States Government has overcharged the Company in the sale of government-furnished equipment on various contracts, all of which have been completed. In December 1994, the Government and the Company agreed to a settlement of the Company's claim on those contracts and several other disputed contracts not included in the litigation. Under the terms of the settlement, the Government agreed to pay the Company approximately $20.4 million. This amount was included in Other revenues in the Consolidated Statements of Income. Each party released the other from all liability relating to the completed contracts, including the Government's previous claim from the Company of approximately $2.2 million. Payment was received in the first quarter of 1995.

OTHER LITIGATION

In 1992, the U.S. Government filed a counterclaim against the Company in a civil suit alleging violations of the False Claims Act and breach of a contract to supply M109A2 Self-Propelled Howitzers. The counterclaim was filed in the United States Claims Court in response to the Company's claim of approximately $5 million against the Government for costs incurred on this contract relating to the same issue. In October 1995, Government counsel informed the Company's counsel that at trial it would claim breach of contract damages of $4.8 million plus damages and civil penalties under the False Claims Act totaling $6.8 million. This is a reduction from the previously asserted Government claim of $7.3 million in damages, trebled plus False Claims Act penalties. The trial commenced in July 1996 and a decision is expected in 1997. The Company and its counsel believe it is unlikely that resolution of these claims will have a material adverse effect on the Company's financial position, however, it could have a material effect on quarterly or annual results of operations.

Iran's Ministry of Defense initiated arbitration procedures against the Company in 1991 under the rules of the International Chamber of Commerce for damages allegedly resulting from breach of various contracts executed by the Company and the Ministry of Defense between 1970 and 1978. The contracts were terminated in 1978 and 1979 during the period of civil unrest in Iran that preceded the Iranian revolution. Iran asserted a claim under one contract for repayment of a $7.5 million advance payment it made to the Company, plus interest at 12% through June 27, 1991 in the amount of $25.3 million. Iran also asserted a claim for damages under other contracts for $76.3 million. The Company asserted various defenses and also filed counterclaims against Iran for damages in excess of $7.5 million which it sustained as a result of Iran's breach of contract, plus interest. At an arbitration hearing held in January 1996, Iran reduced the $76.3 million portion of its claim to approximately $34.4 million. The International Court of Arbitration took the case under advisement and in September 1996, awarded Iran a net amount of approximately $1.2 million. This represents an award of $7.5 million to Iran for the advance payment, offset by an award of $6.3 million to the Company for damages and legal costs and the denial of all pre-award interest claims for both parties. The Company and Iran have each filed appeals in the Supreme Court of Switzerland. The Company's management and its counsel believe it is unlikely that resolution of these claims will have a material adverse effect on the Company's financial position or results of operations.

- --

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In 1992, the United States Government through its Defense Contract Audit Agency commenced an audit of certain contracts for sale of tracked vehicles by the Company to foreign governments, which were financed by the United States Government through the Defense Security Assistance Agency. The Company cooperated with the audit and responded to a number of issues raised by the audit. In September 1994, the Company received a subpoena issued by the Department of Defense Inspector General seeking various documents relating to sale contracts between the Company and foreign governments which were funded by the Defense Security Assistance Agency. The Company is continuing to cooperate and is responding to the subpoena. Based on discussions with the agent in charge and the Government auditors, it appears that the investigation focuses on whether the Company made improper certifications to the Defense Security Assistance Agency and other government contract accounting matters. The Government has not asserted any claims at this time and it is too early to know whether a claim will be asserted or what the nature of any such claim would be, however, the Company's management and its counsel believe it is unlikely that this issue will have a material adverse effect on the Company's financial position.

In June 1994, the shareholder of the Ferrari Group, a Belgium holding company involved in steel mill services and other activities, filed a legal action in Belgium against Heckett MultiServ, S.A. and S.E.A.E., subsidiaries of MultiServ International N.V. (a subsidiary of the Company). The action alleges that these two subsidiaries breached contracts arising from letters of intent signed in 1992 and 1993 concerning the possible acquisition of the Ferrari Group, claiming that the subsidiaries were obligated to proceed with the acquisition and failed to do so. The action seeks damages of 504 million Belgian francs (approximately U.S. $16 million). The Company intends to vigorously defend against the action and believes that based on conditions contained in the letters of intent and other defenses it will prevail. The Company and its counsel believe that it is unlikely that these claims will have a material adverse effect on the Company's financial position or results of operations.

In August 1994, the Company filed a legal action in the United States District Court for the Southern District of New York against certain former shareholders of MultiServ International, N.V. seeking recovery of damages arising from misrepresentations which the Company claims were made to it in connection with its purchase of the MultiServ International, N.V. stock on August 31, 1993. The Complaint seeks damages in an amount to be determined. On April 4, 1995, the Court dismissed various elements of the Company's claims and allowed the Company to amend its complaint with respect to other elements. At the Company's request, the Court dismissed the remaining claims which then allowed the Company to file an appeal in the United States Court of Appeals for the Second Circuit. The Company settled its claims with certain defendants, and continued to pursue its appeal with respect to claims against the other defendants. In August 1996, the Court of Appeals affirmed the lower court decision dismissing the Company's complaint. The Company is considering various options for further pursuit of its claim if current efforts to settle the dispute fail.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

ENVIRONMENTAL

The Company is involved in a number of environmental remediation investigations and clean-ups and, along with other companies, has been identified as a "potentially responsible party" for certain waste disposal sites. While each of these matters is subject to various uncertainties, it is probable that the Company will agree to make payments toward funding certain of these activities and it is possible that some of these matters will be decided unfavorably to the Company. The Company has evaluated its potential liability, and its financial exposure is dependent upon such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the allocation of cost among potentially responsible parties, the years of remedial activity required and the remediation methods selected. The Consolidated Balance Sheets at December 31, 1996 and 1995, include an accrual of $3.9 million and $5.3 million, respectively, for environmental matters. The amounts charged to earnings on a pre-tax basis related to environmental matters totaled $1.2 million for each of the three years ended 1996, 1995, and 1994.

The liability for future remediation costs is evaluated on a quarterly basis. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, the Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a material adverse effect on its financial position or results of operations.

OTHER

The Company is subject to various other claims, legal proceedings and investigations covering a wide range of matters that arose in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial position or results of operations of the Company.

11. EMPLOYEE BENEFIT PLANS

PENSION BENEFITS

The Company has pension and profit sharing retirement plans, most of which are noncontributory, covering substantially all its employees. The benefits for salaried employees generally are based on years of service and the employee's level of compensation during specified periods of employment. Plans covering hourly employees generally provide benefits of stated amounts for each year of service. The multi-employer plans which the Company participates in provide benefits to certain unionized employees. The Company's funding policy for qualified plans is consistent with statutory regulations and customarily equals the amount deducted for income tax purposes. The Company's policy is to amortize prior service costs over the average future service period of active plan participants.

Pension expense consists of the following components:

(In thousands)	1996	1995	1994
Defined benefit plans:			
Service cost......................	$ 9,690	$ 9,232	$ 10,604
Interest cost.....................	15,165	13,958	14,160
Actual return on plan assets.......	(29,911)	(35,944)	(7,885)
Net amortization and deferral......	5,724	14,921	(12,909)
	668	2,167	3,970
Multi-employer plans....................	3,789	3,610	3,285
Defined contribution plans..............	5,910	4,530	3,965
Pension expense....................	$10,367	$ 10,307	$ 11,220

11. EMPLOYEE BENEFIT PLANS (CONTINUED)

The financial status of the pension plans and amounts recognized in the Consolidated Balance Sheets at December 31, 1996 and 1995 are:

(In thousands)	ASSETS EXCEED ACCUMULATED BENEFITS 1996	ASSETS EXCEED ACCUMULATED BENEFITS 1995	ACCUMULATED BENEFITS EXCEED ASSETS 1996	ACCUMULATED BENEFITS EXCEED ASSETS 1995
Actuarial present value of benefit obligations:				
Vested	$143,517	$139,766	$ 18,322	$15,359
Non-vested	6,116	9,853	1,308	664
Accumulated benefit obligation	149,633	149,619	19,630	16,023
Effect of increase in compensation	32,947	32,605	3,051	2,907
Projected benefit obligation	182,580	182,224	22,681	18,930
Plan assets at fair value	282,536	254,447	9,662	10,172
Plan assets in excess of (less than) projected benefit obligation	99,956	72,223	(13,019)	(8,758)
Unrecognized prior service cost	11,183	10,534	2,590	2,186
Unrecognized net (gain) loss	(59,490)	(33,581)	2,101	1,142
Unrecognized net asset	(23,529)	(23,709)	70	117
Minimum liability adjustment	--	--	(3,146)	(2,299)
Prepaid pension asset (liability)	$ 28,120	$ 25,467	$(11,404)	$(7,612)

Plan assets include equity and fixed-income securities. At December 31, 1996 and 1995, 732,640 shares of the Company's common stock with a fair market value of $25.1 million and $21.3 million, respectively, are included in plan assets. Dividends paid on such stock amounted to $0.6 million and $0.5 million in 1996 and in 1995, respectively.

11. EMPLOYEE BENEFIT PLANS (CONTINUED)

The actuarial assumptions used for the defined benefit pension plans, including international plans, are:

	1996	1995	1994
Weighted average assumed discount rates............	7.8%	7.5%	7.9%
Weighted average expected long-term rates of return on plan assets..........................	9.3%	9.0%	8.6%
Rates of compensation increase......................	5.2%	4.8%	5.3%

The change in the assumed discount rate had the effect of decreasing the projected benefit obligation by $9.7 million in 1996. In 1995, the changes in the assumed discount and compensation rates had the effect of increasing the projected benefit obligation by $4.6 million. In 1994, the increase in the assumed discount rate had the effect of decreasing the projected benefit obligation by $13.6 million.

11. EMPLOYEE BENEFIT PLANS (CONTINUED)

POSTRETIREMENT BENEFITS

The Company has postretirement life insurance benefits for a majority of employees, and postretirement health care benefits for a limited number of employees mainly under plans related to acquired companies. The cost of life insurance and health care benefits are accrued for current and future retirees and are recognized as determined under the projected unit credit actuarial method. Under this method, the Company's obligation for postretirement benefits is to be fully accrued by the date employees attain full eligibility for such benefits. The Company's postretirement health care and life insurance plans are unfunded.

The postretirement benefit expense (health care and life insurance) are (in millions) $0.2, $0.2, and $0.5 for 1996, 1995 and 1994, respectively. The components of these expenses are not shown separately as they are not material.

The 1996 and 1995 postretirement benefit liability recorded in the Consolidated Balance Sheets consists of:

(In thousands)	1996			1995		
	HEALTH CARE	LIFE INSURANCE	TOTAL	Health Care	Life Insurance	Total
Current retirees	$2,550	$2,584	$5,134	$2,947	$2,452	$5,399
Future retirees	415	849	1,264	271	942	1,213
Accumulated benefit obligation	2,965	3,433	6,398	3,218	3,394	6,612
Unrecognized gain	888	1,276	2,164	1,100	1,219	2,319
Accumulated postretirement benefit liability	$3,853	$4,709	$8,562	$4,318	$4,613	$8,931

11. EMPLOYEE BENEFIT PLANS (CONTINUED)

The actuarial assumptions used for postretirement benefit plans are:

(Dollars In thousands)	1996	1995	1994
Assumed discount rate	7.5%	7.0%	7.5%
Health care cost trend rate	9.1%	9.5%	12.4%
Decreasing to ultimate rate	5.5%	5.5%	6.0%
Effect of one percent increase in health care cost trend rate:			
On cost components	$ 29	$ 32	$ 25
On accumulated benefit obligation	$223	$241	$ 287

It is anticipated that the health care cost trend rate will decrease from 9.1% in 1997 to 5.5% in the year 2005.

SAVINGS PLAN

The Company has a savings plan designed to comply with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA") and Section 401(k) of the Internal Revenue Code. The plan covers substantially all U.S. employees with the exception of any such employees represented by a collective bargaining agreement, unless the agreement expressly provides otherwise. Employee contributions are generally determined as a percentage of covered employee's compensation. The expense for contributions to the plan by the Company were (in millions) $3.8, $3.6 and $2.8 for 1996, 1995 and 1994, respectively.

EXECUTIVE INCENTIVE COMPENSATION PLAN

At the Company's 1995 Annual Meeting, the Shareholders approved the 1995 Executive Incentive Compensation Plan which replaced the annual and long-term incentive plans and the 1986 stock option plan. The new Plan became effective January 1, 1995. Under the Plan, the Management Development and Compensation Committee awards 60% of the value of any earned performance to be paid to participants in the form of cash and 40% in the form of restricted shares of the Company's common stock. Awards are made in February of the following year. Effective in 1996, the Board of Directors approved a change to the terms and conditions of the annual incentive awards under the Plan. The amendment provides that upon the request of the participant, the Committee may make the incentive award payable all in cash, subject to a 25% reduction in the total amount of the award. The Company accrues amounts based on performance reflecting the value of cash and common stock which is anticipated to be earned for the current year. Compensation expense relating to these awards was $5.5 million and $5.2 million in 1996 and 1995, respectively. Compensation expense under the old plan was $3.7 million for 1994. A total of 4,000,000 shares of the Company's common stock are reserved and available for issuance to participants for annual incentive and stock option awards.

12. INCOME TAXES

Income before taxes and minority interest in the Consolidated Statements of Income consists of:

(In thousands)	1996	1995	1994
Income before income taxes:			
United States	$130,424	$ 105,296	$129,225
International	70,460	58,432	19,615
	$200,884	$ 163,728	$148,840
Provision for income taxes:			
Currently payable:			
Federal	$ 40,014	$ 46,837	$ 37,193
State	7,919	9,303	6,697
International	25,581	25,368	12,271
	73,514	81,508	56,161
Deferred federal and state	2,321	(18,941)	3,503
Deferred international	501	1,287	(128)
	$ 76,336	$ 63,854	$ 59,536

Cash payments for income taxes were (in millions) $85.4, $75.5 and $49.2, for 1996, 1995 and 1994, respectively.

12. INCOME TAXES (CONTINUED)

The following is a reconciliation of the normal expected statutory U.S. federal income tax rate to the effective rate as a percentage of Income before provision for income taxes and minority interest as reported in the Consolidated Statements of Income:

	1996	1995	1994
U.S. federal income tax rate......................	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit...........................	2.6	2.8	3.2
Export sales corporation benefit..................	(.5)	(.5)	(1.1)
International losses for which no tax benefit was recorded.................................	.7	1.9	2.4
Difference in effective tax rates on international earnings and remittances........	(1.8)	(1.3)	(1.4)
Nondeductible acquisition costs....................	1.4	1.7	2.0
Other, net..	.6	(.6)	(.1)
Effective income tax rate..........................	38.0%	39.0%	40.0%

The tax effects of the primary temporary differences giving rise to the Company's deferred tax assets and liabilities for the years ended December 31, 1996 and 1995 are:

(In thousands)	1996		1995	
Deferred income taxes	ASSET	LIABILITY	Asset	Liability
Depreciation	$ --	$40,997	$ --	$37,625
Expense accruals	34,799	--	30,890	--
Inventories	3,598	--	3,175	--
Provision for receivables	2,238	--	1,960	--
Postretirement benefits	3,453	--	3,444	--
Deferred revenue	--	4,985	--	4,206
Unrelieved foreign tax losses	12,854	--	14,800	--
Pensions	--	8,478	--	7,735
Investment in United Defense, L.P.	553	--	--	325
Other	--	61	--	5,174
	57,495	54,521	54,269	55,065
Valuation allowance	(9,471)	--	(9,403)	--
Total deferred income taxes	48,024	54,521	$44,866	$55,065

At December 31, 1996 and 1995, Other current assets included deferred income tax benefits of $22.2 million and $18.4 million, respectively.

- --

12. INCOME TAXES (CONTINUED)

At December 31, 1996, certain of the Company's non-U.S. subsidiaries had total available net operating loss carryforwards ("NOLs") of approximately $31.4 million of which approximately $8.1 million will expire by 2000, $0.5 million will expire by 2001, $4.5 million will expire by 2004 and the balance may be carried forward indefinitely. Included in the total are $15.1 million of preacquisition NOLs.

During 1996 and 1995, $3.7 million and $8.5 million, respectively, of preacquisition NOLs were utilized by the Company, resulting in tax benefits of $1.4 million and $2.9 million, respectively.

The valuation allowance of $9.5 million and $9.4 million at December 31, 1996 and 1995, respectively relates principally to cumulative unrelieved foreign tax losses which are uncertain as to realizability. To the extent that the preacquisition NOLs, are utilized in the future and the associated valuation allowance reduced, the tax benefit will be allocated to reduce the cost in excess of net assets of businesses acquired.

The change in the valuation allowances for 1996, 1995 and 1994 results primarily from the utilization of foreign tax loss carryforwards and the release of valuation allowances in certain international jurisdictions based on the Company's reevaluation of the realizability of future benefits resulting from tax planning strategies. The release of valuation allowances in certain jurisdictions was allocated to reduce the cost in excess of net assets of businesses acquired by $4.7 million and $3.4 million in 1995 and 1994, respectively. There was no reduction in 1996.

13. CAPITAL STOCK

The authorized capital stock consists of 70,000,000 shares of common stock and 4,000,000 shares of preferred stock, both having a par value of $1.25 per share. The preferred stock is issuable in series with terms as fixed by the Board of Directors. No preferred stock has been issued other than the preferred stock rights for a Series A Junior Participating Cumulative Preferred Stock distributed by the Company in September 1987 for each outstanding share of common stock. The rights may be exercised, under certain conditions, to purchase 1/100th share of a new Series A Junior Participating Cumulative Preferred Stock at a purchase price of $200. This new preferred stock has a par value of $1.25 per share and a liquidation price of $150 per share with 400,000 shares authorized and none issued. The rights are not exercisable or transferable apart from the common stock, until ten days after a public announcement that a person or group has acquired 20% or more, or intends to commence a tender offer for 25% or more of the Company's common stock. The rights, which expire on September 28, 1997, do not have voting power, and may be redeemed by the Company at a price of $.05 per right at any time until the 10th business day following public announcement that a person or group has accumulated 20% or more of the Company's outstanding shares. Prior to the stock split discussed in Note 2, one right was associated with each share of common stock. Upon the distribution of the shares related to the two-for-one stock split on February 14, 1997, these rights will be adjusted in accordance with the terms of the Rights Agreement such that each share of common stock now has one-half of a right associated with it.

In January 1997, the Board of Directors authorized the purchase, over a one-year period, of up to 2,000,000 shares of the Company's common stock on a post-split basis.

COMMON STOCK SUMMARY

BALANCES	SHARES ISSUED	TREASURY SHARES	SHARES OUTSTANDING
December 31, 1993............	32,114,499	7,146,698	24,967,801
December 31, 1994............	32,343,553	7,161,303	25,182,250
December 31, 1995............	32,537,880	7,486,331	25,051,549
DECEMBER 31, 1996 *	65,458,202	15,855,850	49,602,352

* Includes the effect of a two-for-one stock split.

14. STOCK-BASED COMPENSATION

Effective January 1, 1996, the Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards in accordance with the provisions of SFAS 123, the Company's net income and net income per common share would have been reduced to the pro forma amounts indicated below:

In thousands, except per share	1996	1995
Net income - as reported	$119,009	$97,377
Net income - pro forma	117,622	96,108
Net income per common share - as reported	2.39	1.93
Net income per common share - pro forma	2.36	1.90

The fair value of the options granted during 1996 and 1995 is estimated on the date of grant using the binomial option pricing model. The major assumptions used and the estimated fair value are listed as follows:

	EXPECTED TERM	EXPECTED STOCK VOLATILITY	RISK FREE INTEREST RATE	DIVIDEND	RATE OF DIVIDEND INCREASE	FAIR VALUE
1996						
Incentive Stock Options	4 years	16.0%	5.14%	$0.76	5%	$4.545
Nonqualified Stock Options	4 years	16.0%	6.30%	$0.76	5%	$6.340
1995						
Incentive Stock Options	4 years	16.0%	7.69%	$0.74	5%	$3.740
Nonqualified Stock Options	4 years	16.0%	7.07%	$0.74	5%	$4.005

The Company has granted stock options to officers and directors for the purchase of its common stock under two shareholder approved plans.

The shareholders approved, at the 1995 Annual Meeting, the 1995 Executive Incentive Compensation Plan and the 1995 Non-Employee Directors' Stock Plan. The 1995 Executive Incentive Compensation Plan authorizes the issuance of up to 4,000,000 shares of the Company's common stock for use in paying incentive compensation awards in the form of restricted stock and stock options. The 1995 Non-Employee Directors' Stock Plan authorizes the issuance of up to 300,000 shares of the Company's common stock for stock option awards. Options are granted at fair market value at date of grant and become exercisable commencing one year later. The options expire ten years from the date of grant. The award of shares and options under the 1995 Executive Incentive Compensation Plan commenced in 1996; while the awards of options under the 1995 Non-Employee

14. STOCK-BASED COMPENSATION (CONTINUED)

Directors' Stock Plan commenced in May 1995. Upon approval of these two plans in 1995, the Company terminated the use of the 1986 stock option plan for granting of stock option awards. At December 31, 1996, there were 3,654,084 and 268,000 shares available for granting restricted stock and stock options under the 1995 Executive Incentive Compensation Plan and the 1995 Non-Employee Directors' Stock Plan, respectively.

Restricted stock awards entitle the participant to full dividend, paid in shares of restricted stock, and voting rights. Restricted stock awards generally vest over a three year period. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances.

At December 31, 1996, options to purchase 1,202,026 shares were exercisable. Changes during 1996 and 1995 in options outstanding were:

	SHARES UNDER OPTION	OPTION PRICE RANGE PER SHARE			WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, January 1, 1995	1,347,280	$11.72	to	$21.625	$18.247
Granted	362,000	21.6875	to	23.8125	21.793
Exercised	(388,654)	11.72	to	21.625	17.134
Terminated and expired	(35,708)	13.78	to	21.6875	20.435
Outstanding, December 31, 1995	1,284,918	11.72	to	23.8125	19.522
Granted	311,150	29.47	to	34.6875	29.705
Exercised	(382,442)	12.44	to	29.47	18.954
Terminated and expired	(11,600)		29.47		29.470
OUTSTANDING, DECEMBER 31, 1996	1,202,026	$11.72	TO	$34.6875	$22.243

The following table summarizes information concerning currently outstanding and exercisable options.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISABLE PRICES	NUMBER OUTSTANDING	REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$11.72 - $17.625	202,778	3.8	$14.210	202,778	$14.210
20.69 - 34.6875	999,248	7.8	23.873	708,698	21.475
	1,202,026			911,476	

14. STOCK-BASED COMPENSATION (CONTINUED)

During 1996 and 1995, the Company had non-cash transactions related to stock option exercises of $1.5 million and $1.7 million, respectively, whereby old shares are exchanged for new shares.

The following table summarizes the restricted stock activity:

	1996
Restricted shares awarded..................................	60,660
Restricted shares forfeited................................	294
Weighted average market value of stock on grant date.......	$32.6875

During 1996 and 1995, the Company recorded $2.1 million and $2.0 million, respectively, in compensation expense related to restricted stock.

- --

15. FINANCIAL INSTRUMENTS

OFF-BALANCE SHEET RISK

As collateral for performance and to ceding insurers, the Company is contingently liable under standby letters of credit and bonds in the amount of $47.3 million and $49.2 million at December 31, 1996 and 1995, respectively. These standby letters of credit and bonds are generally in force from one to three years for which the Company pays fees to various banks and insurance companies that generally range from 0.2 to 1.0 percent per annum of their face value. If the Company were required to obtain replacement standby letters of credit and bonds as of December 31, 1996 for those currently outstanding, it is the Company's opinion that the replacement costs for such standby letters of credit and bonds would not vary significantly from the present fee structure.

At December 31, 1996 and 1995, the Company had $10.9 million and $7.8 million, respectively, of forward foreign currency exchange contracts outstanding. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. The unsecured contracts generally mature within 12 months and are principally with major financial institutions. The Company is exposed to credit loss in the event of non-performance by the other parties to the contracts. The Company evaluates the creditworthiness of the counterparties' financial condition and does not expect default by the counterparties.

FOREIGN EXCHANGE RISK MANAGEMENT

The Company has operations in 30 countries including the United States. It has translational and transactional foreign currency exposures at these operations. The Company's primary foreign currency exposures are in France, Belgium, United Kingdom, Brazil, South Africa and Mexico.

Forward foreign currency exchange contracts are generally used to hedge commitments, such as foreign currency debt, the purchase of equipment, and foreign currency cash flows for certain export sales transactions.

15. FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes by major currency the contractual amounts of the Company's forward exchange contracts in U.S. dollars as of December 31, 1996. The "Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies, and the "Buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies.

(IN THOUSANDS)	TYPE	$ U.S. EQUIVALENT	MATURITY	RECOGNIZED GAIN (LOSS)	UNREALIZED GAIN (LOSS)
FORWARD EXCHANGE CONTRACTS:					
BRITISH POUNDS	BUY	$ 2,934	VARIOUS IN 1997	$172	$ --
FRENCH FRANCS	BUY	2,239	1-30-97	(2)	--
GERMAN MARKS	BUY	1,186	VARIOUS TO 1998	125	--
ITALIAN LIRE	SELL	164	1-10-97	--	(2)
SPANISH PESETAS	BUY	1,452	VARIOUS IN 1997	--	--
SOUTH AFRICAN RAND	SELL	2,904	VARIOUS IN 1997	--	191
		$10,879		$295	$189

At December 31, 1996, the Company had entered into forward exchange contracts in British pounds, French francs and German marks which were used to hedge certain future payments between the Company and its various subsidiaries. These forward contracts do not qualify as hedges for financial reporting purposes. At December 31, 1996, the Company had recorded net gains of $0.3 million on these contracts. The Company also had forward exchange contracts in Italian lire, Spanish pesetas and South African rand which were used to hedge equipment purchases. Since these contracts hedge identifiable foreign currency firm commitments the gain of $0.2 million was deferred. The counterparties of these agreements are major financial institutions, therefore, management believes the risk of incurring losses related to these contracts is remote.

The table below summarizes by major currency the contractual amounts of the Company's forward exchange contracts in U.S. dollars as of December 31, 1995.

(IN THOUSANDS)	TYPE	$ U.S. EQUIVALENT	MATURITY	RECOGNIZED GAIN (LOSS)	UNREALIZED GAIN (LOSS)
FORWARD EXCHANGE CONTRACTS:					
AUSTRALIAN DOLLARS	SELL	$3,916	VARIOUS IN 1996	$ --	$ 12
GERMAN MARKS	BUY	2,606	VARIOUS TO 1998	--	468
ITALIAN LIRE	BUY	1,253	VARIOUS IN 1996	--	147
BRITISH POUNDS	BUY	71	1-15-96	--	(2)
		$7,846		$ --	$625

15. FINANCIAL INSTRUMENTS (CONTINUED)

At December 31, 1995, the Company had forward exchange contracts in Italian lire and German marks which were used to hedge product cost transactions and contracts in British pounds and Australian dollars to hedge certain sales and payments between the Company and its Australian subsidiaries, respectively. Since these contracts hedge identified foreign currency firm commitments, the net gain of $0.6 million was deferred. The counterparties of these agreements are major financial institutions; therefore, management believes the risk of incurring losses related to these contracts is remote.

CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts receivable. The Company places its cash and cash equivalents with high quality financial institutions and, by policy, limits the amount of credit exposure to any one institution. For investments, the Company purchases investment grade debt securities and limits the amount of credit exposure to any one government or commercial issuer. Concentrations of credit risk with respect to accounts receivable are limited, due to the large number of customers in the Company's customer base and their dispersion across many different industries and geographies. The Company generally does not require collateral or other security to support customer receivables.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following notes summarize the major methods and assumptions used in estimating the fair values of financial instruments:

CASH AND CASH EQUIVALENTS

The carrying amount approximates fair value due to the relatively short period to maturity of these instruments.

INVESTMENTS

The fair values of investments are estimated based on quoted market prices for those or similar investments.

LONG-TERM DEBT

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

15. FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY EXCHANGE CONTRACTS
The fair value of foreign currency exchange contracts are estimated by obtaining quotes from brokers.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 1996 and 1995 are:

(In thousands)	1996		1995	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value
Cash and cash equivalents.................	$ 45,862	$ 45,862	$ 76,669	$ 76,669
Investments in debt securities............	33,238	33,325	46,003	46,286
Long-term debt............................	236,711	230,037	282,969	282,943
Foreign currency exchange contracts.......	10,879	11,520	7,846	7,349

16. FACILITIES DISCONTINUANCE AND REORGANIZATION COSTS

In 1996, the Company recorded a net charge of $3.3 million on the Consolidated Statements of Income. This was primarily due to exit costs for the ceased school bus business and discontinuance of certain facilities for Metal Reclamation and Mill Services and Infrastructure and Construction Groups.

In 1995, the Company recorded a net charge of $22.8 million on the Consolidated Statements of Income. This was primarily due to a third quarter non-cash charge of $13.5 million relating to the settlement of the Federal Excise Tax reimbursement on the completed five-ton truck contract. This charge resulted from off-setting the $49 million payment received against the $62.5 million receivable recorded during the performance of the contract. The Company recognized for the school bus business a $2.1 million provision for asset impairment relating to the remaining fixed assets and $3 million in termination and other exit costs. The Company ceased all bus operations in June 1995. Additionally, the Company recorded net charges of $2.8 million in 1995 related to the discontinuance of certain international facilities for the Metal Reclamation and Mill Services Group. These charges were for the discontinuance of certain product lines.

In 1994, the Company recorded a net charge of $17.1 million on the Consolidated Statements of Income primarily for the asset impairment of the school bus business assets, costs associated with the military truck contract close-out and the discontinuance and rationalization of administrative facilities at several international metal reclamation and mill services locations. In November 1994, the Board of Directors authorized the Company to exit from the school bus business. In the fourth quarter of 1994, the Company recognized an asset impairment charge of $8 million for the write-down of the bus business assets to their estimated net realizable value. During the second and third quarters of 1994, the Company recognized a total charge of $5.7 million relating to the discontinuance and rationalization of administrative facilities in the Metal Reclamation and Mill Services Group. This charge was principally composed of termination and lease costs. The Company also recognized a $4.7 million charge in the third quarter for costs associated with closing out the military truck contract.

- ---

17. INFORMATION BY INDUSTRY GROUP AND GEOGRAPHIC AREA

The Company is a diversified industrial services and manufacturing company. Its operations are classified among three Operating Groups: Metal Reclamation and Mill Services, Infrastructure and Construction, and Process Industry Products. The Company has over 175 major facilities in 30 countries, including the United States. The Company also holds a 40% ownership in United Defense, L.P., a $1.0 billion joint venture with FMC Corporation, which principally manufactures ground combat vehicles for the U.S. and international governments. The major products and services included in each Industry Group and other information follows:

METAL RECLAMATION AND MILL SERVICES. This Group provides metal reclamation and mill services primarily for the global steel industry in 29 countries. Steel mill services include slag processing, marketing and disposal; slab management systems; materials handling and scrap management programs; in-plant transportation; and a variety of environmental services. Similar services are also provided to non-ferrous metallurgical industries. Newer markets include such non-ferrous metal industries as aluminum, nickel and copper.

INFRASTRUCTURE AND CONSTRUCTION. Major products and services include railway maintenance of way equipment and services; bridge decking and industrial grating; scaffolding, shoring and concrete forming products along with their erection and dismantling; granules for asphalt roofing shingles; and slag abrasives for industrial surface preparation.

Products and services are provided to private and government-owned railroads worldwide; urban mass transit operators; public utilities; industrial plants; the oil, chemical, petrochemical and process industries; bridge repair companies; commercial and industrial construction firms; infrastructure repair and maintenance markets; and the residential roofing industry.

PROCESS INDUSTRY PRODUCTS. Major products are industrial pipe fittings; process equipment, including industrial blenders, dryers and mixers; heat transfer equipment; boilers; air-cooled heat exchangers; wear resistant steels; valves, regulators and gauges, including scuba and life support equipment; and gas containment cylinders and tanks, including cryogenic equipment.

Major customers include various industrial markets; hardware, plumbing and petrochemical sectors; chemical, food processing and pharmaceutical industries; institutional building and retrofit markets; natural gas and process industries; propane, compressed gas, life support, scuba and refrigerant gas industries; gas equipment companies, welding distributors; medical laboratories; beverage carbonation users; and the animal husbandry industry.

17. INFORMATION BY INDUSTRY GROUP AND GEOGRAPHIC AREA (CONTINUED)

OTHER INFORMATION. The operations of the Company in any one country, except the United States, do not account for more than 10% of sales and no single customer or group under common control represented 10% or more of the Company's sales, during 1996, 1995 and 1994.

Identifiable assets are those assets used in each Operating Group. Corporate assets primarily include cash, investments, prepaid pension costs and U.S. deferred taxes. There are no significant intergroup sales.

INDUSTRY GROUP INFORMATION

INDUSTRY GROUP	NET SALES TO UNAFFILIATED CUSTOMERS			OPERATING PROFIT		
(In millions)	1996	1995	1994	1996	1995	1994
Metal Reclamation and Mill Services(1)	$ 607.7	$ 604.2	$ 523.4	$ 85.2	$ 80.0	$ 43.5
Infrastructure and Construction(2)	408.8	399.7	391.5	42.8	36.3	11.3
Process Industry Products	541.1	491.6	442.8	55.8	46.0	42.0
	1,557.6	1,495.5	1,357.7	183.8	162.3	96.8
Facilities discontinuance and reorganization costs(3)				(2.4)	(20.7)	(17.4)
Industry group totals	$1,557.6	$1,495.5	$1,357.7	181.4	141.6	79.4
Equity in income of unconsolidated entities				50.1	57.0	64.1
Gain on sale of investments				-	-	6.0
Claim settlements				-	-	36.2
Interest expense				(21.5)	(28.9)	(34.0)
General corporate expenses (4)				(9.1)	(6.0)	(2.9)
Income before taxes and minority interest				$200.9	$163.7	$148.8

	IDENTIFIABLE ASSETS			DEPRECIATION AND AMORTIZATION			CAPITAL EXPENDITURES		
(In millions)	1996	1995	1994	1996	1995	1994	1996	1995	1994
Metal Reclamation and Mill Services	$ 698.3	$ 687.8	$ 658.9	$ 76.6	$ 73.7	$70.5	$108.9	$ 73.0	$61.6
Infrastructure and Construction	230.5	228.7	278.7	21.0	20.4	19.2	28.3	27.2	18.1
Process Industry Products	229.3	211.9	186.4	10.6	9.5	8.7	12.4	13.4	10.9
	1,158.1	1,128.4	1,124.0	108.2	103.6	98.4	149.6	113.6	90.6
Corporate	108.6	136.7	158.3	1.2	1.3	1.2	.7	.3	.3
Investments in unconsolidated entities	57.7	45.6	32.3						
Total	$1,324.4	$1,310.7	$1,314.6	$109.4	$104.9	$99.6	$150.3	$113.9	$90.9

17. INFORMATION BY INDUSTRY GROUP AND GEOGRAPHIC AREA (CONTINUED)

GEOGRAPHIC AREA INFORMATION

GEOGRAPHIC AREA	NET SALES			OPERATING PROFIT			IDENTIFIABLE ASSETS		
(In millions)	1996	1995	1994	1996	1995	1994	1996	1995	1994
United States	$ 974.0	$ 916.9	$ 863.3	$106.7	$ 81.7	$57.1	$ 508.8	$ 462.8	$ 543.9
Europe	332.4	365.8	308.9	24.4	27.3	4.9	415.4	438.9	392.9
All Other	251.2	212.8	185.5	50.3	32.6	17.4	233.9	226.7	187.2
Total	$1,557.6	$1,495.5	$1,357.7	$181.4	$141.6	$79.4	$1,158.1	$1,128.4	$1,124.0

	EXPORT SALES		
(In millions)	1996	1995	1994
North America (Excluding USA)	$52.2	$49.9	$60.1
Asia	21.1	21.6	22.3
All Others	24.5	19.2	12.7
Total	$97.8	$90.7	$95.1

(1) For the years ended December 31, 1996, 1995, and 1994, the Group realized foreign currency losses of (in millions) $1.1, $2.3, and $8.1, respectively. These currency losses include $3.4 million and $7 million in 1995 and 1994, respectively, related to the devaluation of the Mexican peso.

(2) Under the Infrastructure and Construction Group, the Company ceased all bus operations in June, 1995. For 1995, the school bus operation had $15.7 million in sales and an operating loss of $6.2 million.

(3) The year ended December 31, 1995 includes a non-cash charge of $13.5 million relating to the settlement of the Federal Excise Tax reimbursement on the completed five-ton truck contract, a $2.1 million provision for asset impairment relating to the remaining fixed assets of the school bus business, and $3 million in termination and other exit costs for the school bus business related to the Infrastructure and Construction Group. The year 1995 also includes $2.8 million relating to the discontinuance of certain international facilities related to the Metal Reclamation and Mill Services Group, and in 1996 this amounted to $1 million. The year ended December 31, 1994, includes $5.7 million for discontinuance and rationalization of administrative facilities and termination costs related to the Metal Reclamation and Mill Services Group, and, under the Infrastructure and Construction Group, a provision of $4.7 million relating to the net realizable value of the investment in the five-ton truck business and future anticipated costs associated with contract close-out and related issues and a provision for asset impairment of the school bus business of $8 million.

(4) General corporate expenses for the year 1995 include a $5.8 million foreign currency translation exchange gain. For the 1996 and 1994 comparable periods, foreign currency translation exchange losses were immaterial.

TWO-YEAR SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(In millions, except per share)

	1996			
QUARTERLY	FIRST	SECOND	THIRD	FOURTH
NET SALES	$366.7	$387.7	$395.8	$ 407.4
GROSS PROFIT(1)	84.6	94.8	93.3	99.6
INCOME BEFORE INTEREST, INCOME TAXES AND MINORITY INTEREST	57.0	54.0	51.2	53.2
NET INCOME	31.1	29.3	29.1	29.5
NET INCOME PER COMMON SHARE(2)	0.62	0.58	0.59	0.60

	1995			
QUARTERLY	FIRST	SECOND	THIRD(3)	FOURTH
Net Sales	$356.9	$377.3	$374.1	$387.2
Gross Profit(1)	77.5	83.6	71.9	87.3
Income before interest, income taxes and minority interest	49.5	46.1	36.6	53.0
Net Income	25.5	24.5	18.4	29.0
Net Income per Common Share(2)	0.51	0.48	0.36	0.58

Notes:

(1) Gross Profit is defined as Net Sales less Cost of Sales, Facilities Discontinuance and Reorganization Costs and Research and Development Expenses.

(2) Reflects a two-for-one stock split to shareholders of record on January 15, 1997.

(3) The third quarter of 1995 includes $8.2 million after-tax charge ($.16 per share) for the settlement of the Federal Excise Tax reimbursement on the completed five-ton truck contract and a $1.3 million after-tax charge ($.03 per share) for asset impairment relating to the remaining fixed assets of the school bus business.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure:

None.

PART III

Item 10. Directors and Executive Officers of the Registrant:

(a) Identification of Directors:

Information regarding the identification of directors and positions held is incorporated by reference to the 1997 Proxy Statement.

(b) Identification of Executive Officers:

Set forth below, as of March 17, 1997, are the executive officers (this excludes certain corporate officers who are not deemed "executive officers" within the meaning of applicable Securities and Exchange Commission regulations) of the Company and certain information with respect to each of them. The executive officers were elected to their respective offices on April 30, 1996, or at various times during the year as noted. All terms expire on April 30, 1997. There are no family relationships between any of the officers.

Name	Age	Principal Occupation or Employment
Corporate Officers:		
D. C. Hathaway	52	Chairman, President and Chief Executive Officer effective April 1, 1995, was President and Chief Executive Officer from January 1, 1994 to April 1, 1994. Director since 1991. From May 1, 1991 to December 31, 1993, served as President and Chief Operating Officer. From 1986 to 1991 served as Senior Vice President-Operations of the Corporation. Served as Group Vice President from 1984 to 1986 and as President of the Dartmouth Division of the Corporation from 1979 until October 1984.
W. D. Etzweiler	61	Senior Vice President and Chief Operating Officer of the Corporation effective January 25, 1994. From 1992 to January 24, 1994, served as Senior Vice President - Operations of the Corporation. Served as President of the Corporation's Patterson-Kelley Division from 1982 to 1991, Vice President Sales and Marketing of the Patterson-Kelley Division from 1979 to 1982, Vice President of Marketing for the Patterson-Kelley Division from 1971 to 1979, and various manager positions with the Patterson-Kelley Division from 1966 to 1971.

Name	Age	Principal Occupation or Employment
L. A. Campanaro	48	Senior Vice President and Chief Financial Officer of the Corporation effective December 1, 1992 and served as Vice President and Controller from April 1, 1992 to November 30, 1992. Served as Vice President of the BMY-Wheeled Vehicles Division from February 1, 1992 to March 31, 1992, and previously served as Vice President and Controller of the BMY-Wheeled Vehicles Division from 1988 to 1992, Vice President Cryogenics of the Plant City Steel Division from 1987 to 1988, Senior Vice President Taylor-Wharton Division from 1985 to 1987, Vice President and Controller of Taylor-Wharton from 1982 to 1985, and Director of Auditing of the Corporation from 1980 to 1982.
P. C. Coppock	46	Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of the Corporation effective January 1, 1994. Served as Vice President, General Counsel and Secretary of the Corporation from May 1, 1991 to December 31, 1993. From 1989 to 1991 served as Secretary and Corporate Counsel and as Assistant Secretary and Corporate Counsel from 1986 to 1989. Served in various Corporate Attorney positions for the Corporation since 1981.
S. D. Fazzolari	44	Vice President and Controller of the Corporation effective January 25, 1994. Served as Controller of the Corporation from January 26, 1993 to January 24, 1994. Previously served as Director of Auditing from 1985 to January 25, 1993, and served in various auditing positions from 1980 to 1985.

(c) Beneficial Ownership Reporting Compliance

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" of the 1997 Proxy Statement.

Item 11. Executive Compensation:

Information regarding compensation of executive officers and directors is incorporated by reference to the sections entitled "Executive Compensation and Other Information" and "Directors' Compensation" of the 1997 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management:

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the section entitled "Share Ownership of Management" of the 1997 Proxy Statement.

Item 13. Certain Relationships and Related Transactions:

Information regarding certain relationships and related transactions is incorporated by reference to the section entitled "Employment Agreements with Officers of the Company" of the 1997 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K:

(a) 1. The following financial statement schedule should be read in conjunction with the Consolidated Financial Statements (see Item 8, "Financial Statements and Supplementary Data"):

Schedules other than those listed above are omitted for the reason that they are either not applicable or not required or because the information required is contained in the financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of
Harsco Corporation

Our report on the consolidated financial statements of Harsco Corporation and Subsidiary Companies (the "Company"), is included on page 29 of this Form 10-K. In connection with our audits of such consolidated financial statements, we have also audited the related consolidated financial statement schedule listed in the index (Item 14(a) 1.) on page 78 of this Form 10-K.

In our opinion, the consolidated financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/Coopers & Lybrand L.L.P.
Philadelphia, Pennsylvania
January 30, 1997

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS
(dollars in thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D		COLUMN E
		Additions	Deductions		
Description	Balance at Beginning of Period	Charged to Cost and Expenses	Due to Currency Translation Adjustments	Other(1)	Balance at End of Period
For the year 1996:					
Deducted from Receivables:					
Uncollectible accounts	$ 8,256	$ 4,969	$(74)	$ (4,602)	$ 8,549
Deducted from Inventories:					
Inventory valuations	$ 3,596	$ 3,260	$(57)	$ (1,418)	$ 5,381
For the year 1995:					
Deducted from Receivables:					
Uncollectible accounts	$ 7,285	$ 2,966	$ 54	$ (2,049)	$ 8,256
Deducted from Inventories:					
Inventory valuations	$16,106	$ 1,689	$ 32	$(14,231)	$ 3,596
For the year 1994:					
Deducted from Receivables:					
Uncollectible accounts	$13,479	$ 3,436	$(93)	$ (9,537)	$ 7,285
Deducted from Inventories:					
Inventory valuations	$ 9,213	$11,228	$ 54	$ (4,389)	$16,106

(1) Amounts charged to valuation account during the year. During 1995, the reduction in inventory reserves is due principally to the write off of inventory related to the school bus business. During 1994, $2,372,000 in inventory reserves were transferred to United Defense, L.P. in connection with the formation of the partnership.

(a) 2. Condensed financial information of the registrant is omitted since there are no substantial amounts of "restricted net assets" applicable to the Company's consolidated subsidiaries.

(b) The financial statements of a 50% or less owned unconsolidated company are submitted inasmuch as the registrant's equity in the income before income taxes of such company does exceed 20% of the total consolidated income before income taxes:

1. Financial Statements of United Defense, L.P.:	Exhibit
Report of Independent Auditors	13
Balance Sheets at December 31, 1996 and 1995	13
Statements of Income for the years ended December 31, 1996, 1995 and 1994	13
Statements of Partners' Capital for the years ended December 31, 1996, 1995 and 1994	13
Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994	13
Notes to Financial Statements	13

Financial statements of other 50% or less owned unconsolidated companies are not submitted inasmuch as (1) the registrant's investment in and advances to such companies do not exceed 20% of the total consolidated assets, (2) the registrant's proportionate share of the total assets of such companies does not exceed 20% of the total consolidated assets, (3) the registrant's equity in the income before income taxes of such companies does not exceed 20% of the total consolidated income before income taxes.

(a) 3. Listing of Exhibits Filed with Form 10-K:

Exhibit Number	Data Required	Location in 10-K
2(a)	Joint Venture with FMC Corporation to Combining Harsco's BMY-Combat Systems Division with FMC Defense Systems Group - Participation Agreement Dated as of January 1, 1994 - Partnership Agreement Dated as of January 1, 1994 - Registration Rights Agreement Dated as of January 1, 1994	Incorporated by reference Form 8-K dated February 14, 1994
3(a)	Articles of Incorporation as amended April 24, 1990	Exhibit volume, 1990 10-K
	Certificate of Designation filed September 29, 1987	Exhibit volume, 1987 10-K
3(b)	By-laws as amended April 25, 1990	Exhibit volume, 1990 10-K
4(a)	Harsco Corporation Rights Agreement dated as of September 29, 1987 with Chase Manhattan Bank, N.A.	Incorporated by reference to Form 8-A, Exhibit 1, dated October 2, 1987
4(b)	Registration of Preferred Stock Purchase Rights	Incorporated by reference to Form 8-A dated October 2, 1987
4(c)	Current Report on dividend distribution of Preferred Stock Purchase Rights	Incorporated by reference to Form 8-K dated October 13, 1987
4(d)	Debt Securities Registered under Rule 415 (6% Notes)	Incorporated by reference to Form S-3, Registration No. 33-42389 dated August 23, 1991

(a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number	Data Required	Location in 10-K
4(e)	6% 1993 Notes due September 15, 2003 described in Prospectus Supplement dated September 8, 1993 to Form S-3 Registration under Rule 415 dated August 23, 1991	Incorporated by reference to the Prospectus Supplement dated September 8, 1993 to Form S-3, Registration No. 33-42389 dated August 23, 1991
4(f)	Debt and Equity Securities Registered	Incorporated by reference to Form S-3, Registration No. 33-56885 dated December 15, 1994, effective date January 12, 1995
	Material Contracts - Credit facility	
10(a)	Amendment Agreement dated July 16, 1996 to the amended and restated Credit Agreement dated as of August 24, 1993, as amended and restated as of June 21, 1994, and as amended by an Amendment Agreement dated as of June 20, 1995 and a second Amendment Agreement dated as of February 29, 1996 among Harsco Corporation, the lenders named therein and Chase Manhattan Bank.	Exhibit to 10-Q for the period ended June 30, 1996
10(b)	Commercial Paper Dealer Agreement Dated October 11, 1994, Between J.P. Morgan Securities, Inc. and Harsco Corporation	Exhibit volume, 1994 10-K
10(c)	Commercial Paper Dealer Agreement Dated October 11, 1994, Between Lehman Brothers, Inc. and Harsco Corporation	Exhibit volume, 1994 10-K
10(d)	Issuing and Paying Agency Agreement, Dated October 12, 1994, Between Morgan Guaranty Trust Company of New York and Harsco Corporation	Exhibit volume, 1994 10-K

(a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number	Data Required	Location in 10-K
10(e)	Commercial Paper Agreement with Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V. dated September 25, 1996.	Exhibit to 10-Q for the period ended September 30, 1996
	Material Contracts - Underwriting	
10(f)	Underwriting Agreement for Debt Securities dated October 22, 1987	Exhibit volume, 1987 10-K
	Material Contracts - Management Contracts and Compensatory Plans	
10(g)	Harsco Corporation Incentive Plan as amended March 18, 1992	Exhibit volume, 1992 10-K
10(h)	Harsco Corporation Supplemental Retirement Benefit Program as amended September 25, 1995	Exhibit volume, 1995 10-K
10(i)	Trust Agreement between Harsco Corporation and Dauphin Deposit Bank and Trust Company dated July 1, 1987 relating to the Supplemental Retirement Benefit Plan	Exhibit volume, 1987 10-K
10(j)	Harsco Corporation Supplemental Executive Retirement Plan as amended	Exhibit volume, 1991 10-K
10(k)	Trust Agreement between Harsco Corporation and Dauphin Deposit Bank and Trust Company dated November 22, 1988 relating to the Supplemental Executive Retirement Plan	Exhibit volume, 1988 10-K
10(l)	1986 Stock Option Plan as amended	Exhibit volume, 1990 10-K
10(m)	1995 Executive Incentive Compensation Plan	Proxy Statement dated March 22, 1995 on Exhibit A pages A-1 through A-12

(a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number	Data Required	Location in 10-K
10(n)	Authorization, Terms and Conditions of the Annual Incentive Awards, as amended and Restated November 19, 1996, under the 1995 Executive Incentive Compensation Plan	Exhibit volume, 1996 10-K
	Employment Agreements -	
10(o)	D. C. Hathaway	Exhibit volume, 1989 10-K
"		Uniform agreement, the same as shown for J. J. Burdge
"	L. A. Campanaro	" "
"	P. C. Coppock	" "
"	W. D. Etzweiler	" "
	Retirement Agreements -	
10(p)	Special Supplemental Retirement Benefit Agreement and Amendment for J. J. Burdge	Exhibit volume, 1988 10-K
10(q)	Special Supplemental Retirement Benefit Agreement for D. C. Hathaway	Exhibit Volume, 1988 10-K
	Director Indemnity Agreements -	
10(r)	J. J. Burdge	Exhibit volume, 1989 10-K Uniform agreement, same as shown for J. J. Burdge
"	R. F. Nation	" "
"	A. J. Sordoni, III	" "
"	R. C. Wilburn	" "
"	R. L. Kirk	" "
"	N. H. Prater	" "
"	D. C. Hathaway	" "
"	J. I. Scheiner	" "
"	J. E. Marley	" "

(a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number	Data Required	Location in 10-K
10(s)	Harsco Corporation Directors Retirement Plan	Exhibit volume, 1990 10-K
10(t)	Harsco Corporation Deferred Compensation Plan for Non-Employee Directors	Exhibit volume, 1994 10-K
10(u)	Harsco Corporation 1995 Non-Employee Directors' Stock Plan	Proxy Statement dated March 22, 1995 on Exhibit B pages B-1 through B-6
10(v)	Settlement Agreement dated September 19, 1995, among the Company, the United States Army and the United States Department of Justice	Exhibit (b) to 10-Q for period ended September 30, 1995
11	Computation of Fully Diluted Net Income per Common Share	Exhibit volume, 1996 10-K
12	Computation of Ratios of Earnings to Fixed Charges	Exhibit volume, 1996 10-K
13	Financial Statements of United Defense, L.P.	Exhibit volume, 1996 10-K
21	Subsidiaries of the Registrant	Exhibit volume, 1996 10-K
23(a)	Consent of Independent Accountants	Exhibit volume, 1996 10-K
23(b)	Consent of Independent Auditors	Exhibit volume, 1996 10-K
27	Financial Data Schedule	Exhibit volume, 1996 10-K

(a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number	Data Required	Location in 10-K
99	Additional exhibits	
	- Undertakings of Harsco relating to registration statement on Form S-16 (Reg. No. 2-58121)	Incorporated by reference to Exhibit 28, Form 10-K for the year ended December 31, 1982
	- Undertakings of Harsco relating to registration statement on Form S-8 (Reg. No. 2-57876)	Incorporated by reference to Exhibit 28, Form 10-K for the year ended December 31, 1982
	- Undertakings of Harsco relating to registration statement on Form S-8 (Reg. No. 33-14064)	Incorporated by reference to Form S-8, Registration No. 33-14064, dated May 6, 1987
	- Undertakings of Harsco relating to registration statement on Form S-3 (Reg. No. 2-97504)	Incorporated by reference to Form S-3, Registration No. 2-97504 dated May 29, 1985
	- Undertakings of Harsco relating to registration statement on Form S-3 (Reg. No. 33-21526)	Incorporated by reference to Form S-3, Registration No. 33-21526 dated May 23, 1988
	- Undertakings of Harsco relating to registration statement on Form S-3 (Reg. No. 33-42389)	Incorporated by reference to Form S-3, Registration No. 33-42389, dated August 23, 1991
	- Undertakings of Harsco with respect to indemnification of directors, officers or persons controlling Harsco incorporated by reference into registration statements on Form S-8, Registration File Numbers 2-57876, 33-5300, 33-14064 and 33-24854	Exhibit volume, 1990 10-K

(a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number	Data Required	Location in 10-K
	- Undertakings of Harsco relating to registration statement on Form S-3 (Reg. No. 33-56885)	Incorporated by reference to Form S-3, Registration No. 33-56885, dated December 15, 1994, effective January 12, 1995.
	- Undertakings of Harsco relating to registration statement on Form S-8 (Reg. No. 333-13175)	Incorporated by reference to Form S-8, Registration No. 333-13175, dated October 1, 1996, effective October 1, 1996.
	- Undertakings of Harsco relating to registration statement on Form S-8 (Reg. No. 333-13173)	Incorporated by reference to Form S-8, Registration No. 333-13173, dated October 1, 1996, effective October 1, 1996.

Exhibits other than those listed above are omitted for the reason that they are either not applicable or not material.

The foregoing Exhibits are available from the Secretary of the Company upon receipt of a fee of $10 to cover the Company's reasonable cost of providing copies of such Exhibits.

(b) Reports on Form 8-K:

A Report on Form 8-K dated November 19, 1996 was filed November 27, 1996 dealing with the declaration of a two-for-one stock split of its outstanding Common Stock, payable February 14, 1997 to stockholders of record at the close of business January 15, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARSCO CORPORATION

Date March 20, 1997

By /s/ Leonard A. Campanaro
Leonard A. Campanaro
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	CAPACITY	DATE
/s/ Derek C. Hathaway (Derek C. Hathaway)	Chairman, President & Chief Executive Officer	3-20-97
/s/ Leonard A. Campanaro (Leonard A. Campanaro)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	3-20-97
/s/ Salvatore D. Fazzolari (Salvatore D. Fazzolari)	Vice President and Controller (Principal Accounting Officer)	3-20-97
/s/ Robert L. Kirk (Robert L. Kirk)	Director	3-20-97
/s/ James E. Marley (James E. Marley)	Director	3-20-97
/s/ Robert F. Nation (Robert F. Nation)	Director	3-20-97
/s/ Nilon H. Prater (Nilon H. Prater)	Director	3-20-97
/s/ James I. Scheiner (James I. Scheiner)	Director	3-20-97
/s/ Andrew J. Sordoni III (Andrew J. Sordoni III)	Director	3-20-97
/s/ Dr. Robert C. Wilburn (Dr. Robert C. Wilburn)	Director	3-20-97

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

EXHIBIT VOLUME TO FORM 10-K

PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1996 Commission file number 1-3970

HARSCO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	23-1483991
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Camp Hill, Pennsylvania	17001-8888
Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 717-763-7064

Item 14(a) 3. Exhibits

HARSCO CORPORATION

1995 EXECUTIVE INCENTIVE COMPENSATION PLAN

AUTHORIZATION, TERMS, AND CONDITIONS OF ANNUAL INCENTIVE AWARDS (AS AMENDED AND RESTATED NOVEMBER 19, 1996)

1. Purposes of Annual Incentive Awards

The grant of Annual Incentive Awards ("Awards") under the 1995 Executive Incentive Compensation Plan is intended to further the profitable growth of Harsco Corporation (the "Company") by offering a short-term incentive opportunity, in addition to base salary, to officers and key corporate and divisional employees of the Company and its subsidiaries who are largely responsible for such growth, to the benefit of the Company's stockholders. In addition, by settling Awards in part by awarding Restricted Stock, the Award is intended to provide a long-term incentive for such persons to expend their efforts for the creation of stockholder value, and promote a closer identity of interests between such persons and the Company's stockholders. Such Awards are expected to encourage recipients to improve their performance and remain with the Company and its subsidiaries, and that the possibility of such awards will encourage other qualified persons to seek and accept employment with the Company and its subsidiaries.

2. Overview

This document (the "Authorization") sets forth the authorization, terms, and conditions of Awards under the Company's 1995 Executive Incentive Compensation Plan (the "1995 Plan"), as determined by the Management Development and Compensation Committee (the "Committee"). The terms of this Authorization are subject to, and qualified in their entirety by reference to, the 1995 Plan, including Section 6(h) of the 1995 Plan setting forth terms relating to Awards. If any terms of this Authorization are inconsistent with the terms of the 1995 Plan, the terms of the 1995 Plan shall control. Terms used in this Authorization but not otherwise defined herein shall have the meanings ascribed to such terms in the 1995 Plan.

3. Definitions

In addition to terms defined in Sections 1 and 2 hereof, the following terms shall be defined as set forth below:

3.1 Award Potential means the range of amounts, denominated in cash, that may be deemed to be earned upon achievement of Performance Objectives, as set forth in Section 4.1. The terms Maximum and Target Award Potential have the meanings set forth in Section 4.1, and the term Earned Award Potential has the meaning set forth in Section 5.1. Award Potentials are hypothetical amounts intended solely to provide a means of valuing Awards for purposes of settlement.

3.2 Base Salary means salary actually earned by a Participant during the Performance Year to which the Award relates (as distinct from the annual salary rate in effect at the end of such Performance Year). This amount excludes payments resulting from awards authorized under the Company's Annual and Long-Term Incentive Plans prior to 1995 and payments under the 1995 Plan, the Authorization, or Awards thereunder.

3.3 Cause means (i) the willful and continued failure by the Participant to perform substantially his or her duties with the Company or a subsidiary (other than such failure resulting from the Participant's incapacity due to physical or mental illness), or (ii) the willful engaging by the Participant in illegal conduct, or (iii) the willful engaging by the Participant in conduct in violation of any provision of the Code of Conduct or other published policies of the Company, or (iv) the willful engaging by the Participant in any act of serious dishonesty which adversely affects, or in the reasonable estimation of the Committee, could in the future adversely affect, the value, reliability or performance of the Participant to the Company. For purposes of this definition, no act, or failure to act, on the part of the Participant shall be considered "willful" unless done, or omitted to be done, by the Participant in bad faith and without reasonable belief that his or her action or omission was in, or not opposed to, the best interests of the Company.

3.4 Eligible Unit means the Company as a whole or any department, division, subsidiary, or other business unit or function of the Company for which separate operational results may be available to the Committee, as specified by the Committee.

3.5 Fair Market Value of Common Stock as of any given date means the average of the high and the low sale prices of a share of common stock reported in the table entitled "New York Stock Exchange Composite Transactions" contained in The Wall Street Journal (or an equivalent successor table) for such date or, if no such prices are reported for such date, on the most recent trading day prior to that date for which such prices were reported.

3.6 Normal Retirement means retirement at or after age 62 with at least 30 years of service, or at or after age 65.

3.7 Participant means an officer of the Company (including division officers).

3.8 Performance Objective means the business criteria and minimum, targeted, and maximum Performance Levels with respect to such business criteria required to be achieved during a Performance Year as conditions to the settlement of an Award, and other related terms, as set forth in Section 4.2.

3.9 Performance Level means a specified measure of achievement with respect to a business criteria, required in connection with a Performance Objective, as set forth in Section 4.2.

3.10 Performance Year means the fiscal year or other specified period during which the achievement of Performance Objectives with respect to a given Award shall be measured.

3.11 Restricted Stock means Restricted Stock granted in settlement of a specified portion of an Award, subject to the terms of the 1995 Plan and this Authorization. Common Stock issued or delivered as Restricted Stock may consist, in whole or in part, of authorized and unissued shares or treasury shares.

3.12 Restricted Period shall have the meaning set forth in Section 6.1 hereof.

3.13 Salary Level means the numbered category assigned to each Participant for purposes of determining annual salary rate under the Company's executive compensation program, as of the end of the Performance Year to which an Award relates.

3.14 Termination means a termination of employment immediately after which the Participant is not an employee of the Company or any subsidiary. Conversion from full-time or part-time employment or a leave of absence from employment, if approved by the Committee, shall not be deemed to be a Termination for purposes of this Authorization.

4. Awards, Award Potentials, and Performance Objectives

The Committee may authorize Awards for a given Performance Year for eligible officers of the Company. The authorization of an Award for a Participant will confer upon such Participant a conditional right to receive cash and Restricted Stock upon achievement of Performance Objectives specified for the Participant. Each Award shall relate to a single Performance Year specified by the Committee.

4.1 Award Potential; Maximum and Target Award Potentials. The Award Potential for each Award shall range from zero to a maximum amount equal to the Participant's Base Salary multiplied by his or her Salary Level multiplied by 0.06, such maximum amount being designated the Maximum Award Potential. Within this range, the Award Potential equal to 67% of the Maximum Award Potential shall be designated as the Target Award Potential.

4.2 Performance Objectives. For each Award, the Committee shall specify Performance Objectives, which shall be set forth in one or more exhibits which may be from time to time appended to this Authorization. The Performance Objectives specified in a given exhibit may apply to one or more Participants, including groups of Participants working for an Eligible Unit. Each such exhibit shall set forth the following, in any format deemed appropriate by the Committee:

(a) The Committee shall specify the business criteria for each Performance Objective, setting forth the nature of the performance to be measured. The Committee may limit the scope of any business criteria authorized under the 1995 Plan, and set forth in detail any terms relating to such business criteria as the Committee deems necessary or desirable to enable Performance Objectives to be unambiguous and subject to precise measurement.

(b) Because multiple Performance Objectives will be designated for each Award, the Committee shall specify the weighting to be given each Performance Objective. Such weighting will be expressed as a percentage, by which a Participant's Award Potential may be multiplied to determine the portion of the Award Potential that relates to a given Performance Objective.

(c) The Committee shall designate for each Performance Objective a Minimum, Target, and Maximum Performance Level. The Minimum Performance Level will represent the threshold level of performance required before any Award Potential will be deemed to be earned with respect to a given Performance Objective. The Target Performance Level will represent the level of performance required in order that the Target Award Potential will be deemed to be earned with respect to a given Performance Objective. The Maximum Performance Level will represent the level of performance required in order that the Maximum Award Potential will be deemed to be earned with respect to a given Performance Objective.

(d) The Committee shall designate the Performance Year to which the Performance Objectives relate.

4.3 Guidelines for Establishing Performance Levels. In establishing Performance Levels, the Minimum Performance Level will represent less than desired performance, the Target Performance Level will represent superior, professional performance under existing circumstances rather than ordinary performance, and the Maximum Performance Level will represent distinguished performance expected to be achieved only rarely, e.g., something on the order of two out of ten times. Although the Target Award Potential represents 67% of the Maximum Award Potential, there is no requirement that Target Performance Levels bear any particular mathematical relationship to Maximum Performance Levels or Minimum Performance Levels.

4.4 Notification of Awards. The Company shall notify members of the class of eligible employees of their selection for participation, the authorization of Awards, and the applicable Performance Objectives as promptly as practicable. Such notification shall be accomplished in any reasonable manner, in the discretion of the Committee.

5. Settlement of Awards in Cash and Restricted Stock

5.1 Determination of Earned Award Potential and Limitation Thereof. As promptly as practicable following the end of each Performance Year, the Committee shall determine whether and the extent to which Performance Objectives and other material terms and conditions relating to each Participant's Award for such Performance Year have been achieved and satisfied, and shall determine the Award Potential, if any, deemed to be earned with respect to each such Award (the "Earned Award Potential"). In the event that a Participant's Earned Award Potential exceeds $800,000, the Earned Award Potential for such Participant's Award shall be reduced to that amount.

5.2 Payment of Cash and Grant of Restricted Stock. At the time the Committee determines a Participant's Earned Award Potential under

Section 5.1, each Participant shall become entitled, subject to Sections 5.3 and 5.4, to receive a payment in cash equal to 60% of his or her Earned Award Potential and a grant of a number of shares of Restricted Stock, on the terms set forth in Section 6, equal to 40% of his or her Earned Award Potential divided by the Fair Market Value of Common Stock on the last trading day of the performance year. Such cash payment shall be made as promptly as practicable after the determination by the Committee of the Participant's Earned Award Potential. The Committee may, in its discretion and upon the consent of the Participant, provide the Participant a deferred right to receive Common Stock of the Company in lieu of an immediate grant of Restricted Stock. The Committee may also, in its sole discretion, award payment of all or a portion of the Restricted Stock component of the Earned Award Potential in cash rather than Restricted Stock. Participants may request that the Committee pay his or her award all in cash using a multiplier of .045 instead of the normal .06 multiplier, and upon approval by the Committee, the award shall be paid to the requesting Participant in that manner.

5.3 Committee Discretion. The Committee may, at any time prior to the payment of cash and grant of Restricted Stock under Section 5.2, adjust or modify Performance Objectives, Award Potentials, or other Award terms (1) in recognition of unusual or nonrecurring events affecting the Company or any Eligible Unit, or the financial statements or results thereof, or in response to changes in applicable laws (including tax, disclosure, and other laws), regulations, accounting principles, or other circumstances deemed relevant by the Committee, (2) in view of the Committee's assessment of the business strategy of the Company and Eligible Units thereof, performance of comparable organizations, economic and business conditions, personal performance of the Participant, and other circumstances deemed relevant by the Committee, or (3) with respect to any Participant whose position or duties with the Company or any subsidiary has changed; provided, however, that no such adjustment or modification may be made with respect to an Award granted to a "covered employee" within the meaning of Code Section 162(m) and regulations thereunder if and to the extent that such adjustment or modification would increase the amount of compensation payable to such covered employee upon achievement of the existing Performance Objectives. Examples of considerations which might influence the Committee in exercising its discretion hereunder include:

(a) Achievement of a rate of return on stockholders' equity which was either significantly more or significantly less than the Committee's estimate of the Company's competitive cost of equity.

(b) The existence of compensation restraints at an Eligible Unit.

(c) A substantial change in the established strategic performance objectives during the period.

(d) A substantial change in the composition of an Eligible Unit during the period.

5.4 Settlement of Award In the Event of Termination. In the event of a Participant's Termination, such Participant (or his or her beneficiary) shall receive, in lieu of payment of all amounts specified in Section 5.2, settlement of such Participant's Award as provided in this Section 5.4.

In the event of a Participant's Termination by reason of Normal Retirement, death, or full and permanent disability (as determined by the Committee) prior to the end of a Performance Year to which an Award relates, the Participant's Earned Award Potential shall be 100% of the Earned Award Potential otherwise determined under Section 5.1. (However, the definition of "Base Salary" will have the effect of prorating the Participant's Earned Award Potential according to the salary actually earned during the year to the date of retirement.) In the event of a Participant's Termination for any reason other than an involuntary Termination for Cause after the end of a Performance Year to which an Award relates but prior to settlement of an Award relating to such Performance Year, the Participant's Earned Award Potential shall equal 100% of the Earned Award Potential otherwise determined under Section 5.1. In any case, the Participant's Earned Award Potential shall be determined by the Committee at such time as determinations are otherwise made under Section 5.1, and settlement of his or her Award shall be made as promptly as practicable thereafter.

Any settlement under this Section 5.4 relating to a Participant's Termination by reason of death or full and permanent disability (as determined by the Committee) shall be made in the form of a payment in cash equal to 100% of the Participant's Earned Award Potential (as adjusted under this Section 5.4). Any other settlement under this Section 5.4 shall be made in the form of a payment in cash equal to 60% of the Participant's Earned Award Potential (as adjusted under this Section 5.4) and a grant of a number of shares of Restricted Stock, on the terms set forth in Section 6, equal to 40% the Participant's Earned Award Potential (as adjusted under this Section 5.4) divided by the Fair Market Value of Common Stock on the last trading day of the performance year.

In the event of a Participant's Termination (i) for any reason other than Normal Retirement, death, or full and permanent disability (as determined by the Committee) prior to the end of a Performance Year to which an Award relates or (ii) which is an involuntary Termination for Cause after the end of a Performance Year to which an Award relates but prior to the Committee's determination of the Participant's Earned Award Potential with respect to such Award, any Award of such Participant for which such Earned Award Potential has not previously been determined shall be forfeited.

5.5 Certification. Determinations by the Committee under this Section 5 shall be set forth in a written certification, which may include for this purpose approved minutes of a meeting of the Committee at which such determinations were made.

6. Terms of Restricted Stock

6.1 Restrictions Generally; Restricted Period. Restricted Stock granted pursuant to Section 5.2 shall be subject to the restrictions on transferability under Section 6.2 until the expiration of the period specified under this Section 6.1 (the "Restricted Period"), and shall be subject to the risk of forfeiture under Section 6.3 from the date of grant of such Restricted Stock until the expiration of the Restricted Period or the earlier lapse of such risk of forfeiture as specified under Section 6.3. The Restricted Period for one-half of the Restricted Stock granted to a Participant in respect of any Award relating to the 1995 or 1996 Performance Years shall expire on the first anniversary of the date of grant, and the Restricted Period for all other Restricted Stock granted hereunder shall expire on the third anniversary of the date of grant; provided, however, that the Restricted Period for any Restricted Stock granted hereunder shall expire earlier in accordance with Section 6.4 hereof or upon a Change in Control of the Company (as specified in Section 8 of the 1995 Plan). The consideration for the grant of Restricted Stock in settlement of an Award shall be the services performed by the Participant during the year to which such Award relates.

6.2 Nontransferability. During the applicable Restricted Period, (i) such Restricted Stock and all rights relating thereto shall not be transferable or assignable by the Participant, other than by will or the laws of descent and distribution; (ii) any right relating to such Restricted Stock may be exercised, during the lifetime of the Participant, only by the Participant or the Participant's guardian or legal representative; and (iii) such Restricted Stock shall not be pledged, hypothecated, margined, optioned, or otherwise encumbered in any way or subject to execution, attachment, or similar process. Any transfer, encumbrance, or other transaction relating to such Restricted Stock in violation of the restrictions set forth in this Section 6.2 shall be null and void, and shall not be recognized or recorded by the Company or its agents.

6.3 Forfeiture. During the applicable Restricted Period, such Restricted Stock shall be forfeited automatically in the event of the Participant's Termination, or in the event of the Participant's failure to abide by any of the material terms or conditions to which the Participant may be subject under this Authorization or any agreement relating to the Restricted Stock between the Company and the Participant; provided, however, that no such forfeiture shall occur solely because of the Participant's Termination due to Normal Retirement, death, full and permanent disability (as determined by the Committee), or involuntary Termination other than an involuntary Termination for Cause.

6.4 Expiration of Restricted Period Upon Termination. The expiration of the Restricted Period with respect to such Restricted Stock shall be accelerated upon Participant's Termination due to death or full and permanent disability (as determined by the Committee) so that, in such case, the Restricted Period shall expire upon the Participant's Termination. In the event of any other Termination not resulting in forfeiture of the Restricted Stock, the expiration of the Restricted Period with respect to such Restricted Stock shall be unaffected; provided, however, that the Committee may instead determine, in such case, to accelerate the expiration of the Restricted Period to the date of such Participant's Termination or any other date between the date of such Termination and the scheduled expiration date of the Restricted Period.

6.5 Dividends and Distributions. The Participant shall be entitled to receive dividends and distributions payable with respect to Restricted Stock to the extent that he or she is the record owner of such Restricted Stock on any record date for such a dividend or distribution during the Restricted Period applicable to such Restricted Stock, subject to the following terms and conditions:

(a) In the event of a cash dividend or distribution or a non-cash dividend or distribution in the form of property other than Common Stock payable on Restricted Stock, the Company shall either (i) retain the amount of such cash dividend or such other property and, in lieu of delivery thereof, shall grant to the Participant additional shares of Restricted Stock having a Fair Market Value at the record date of the dividend or distribution equal to the amount of cash and fair market value (as determined by the Committee) of such property paid as a dividend or distribution on each share of Common Stock multiplied by the number of shares of Restricted Stock as to which the Restricted Period had not expired at the record date thereof or (ii) arrange for the automatic reinvestment of such dividend or distribution in additional shares, which shall be deemed additional Restricted Stock, through any dividend reinvestment plan or program then available to stockholders of the Company. Such additional Restricted Stock will be subject to the same Restricted Period and to such other terms and conditions as applied to the Restricted Stock with respect to which such dividend or distribution was paid was forfeited prior to the payment date for such dividend or distribution.

(b) In the event of a dividend or distribution in the form of Common Stock, the Common Stock issued or delivered as such dividend or distribution will be deemed to be additional Restricted Stock and will be subject to the same Restricted Period and to such other terms and conditions as applied to the Restricted Stock with respect to which such dividend or distribution was paid. No such additional Restricted Stock will be granted if the Restricted Stock with respect to which such dividend or distribution was paid was forfeited prior to the payment date for such dividend or distribution.

6.6 Form of Restricted Stock.

(a) Restricted Stock delivered under the Plan shall be evidenced by either of the following as determined by the Committee in its sole discretion:

(1) issuance of one or more certificates in the name of the Participant, bearing an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and shall remain in the physical custody of the Secretary of the Company or his or her designee until such time as the restrictions on such Restricted Stock have expired. In addition, the Secretary may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

(2) entries in books and records of account maintained by the Company's transfer agent or such other agent as may from time to time be designated by the Company or the then current agent. Such agent may hold the shares directly or through a nominee it may select.

(b) Restricted Stock shall be subject to such stop-transfer orders and other restrictions as the Secretary shall deem advisable under federal or state securities laws, rules and regulations thereunder, and the rules of any national securities exchange or automated quotation system on which Common Stock is then listed or quoted, and to implement the restrictions under this Authorization.

6.7 Restricted Stock Agreement; Stock Powers. The Company and each Participant to whom Restricted Stock is granted hereunder shall enter into a Restricted Stock agreement in the form attached hereto as Attachment A or such other form as the Committee may from time to time approve, to set forth the terms and conditions relating to such Restricted Stock. The terms and conditions of this Authorization shall be deemed to constitute a part of such agreement. In addition, each such Participant shall, if requested by the Company, execute one or more stock powers, in such form as may be specified by the Secretary, authorizing the transfer of the Restricted Stock to the Company, in order to give effect to the forfeiture provisions of Section 6.3.

6.8 Other Stockholder Rights. Subject to the terms and provisions of the Delaware General Corporation Law, the Participant shall have all of the rights of an owner of Common Stock granted as Restricted Stock hereunder (including but not limited to voting rights) except as provided in this Authorization and any agreement between the Company and the Participant with respect to such Restricted Stock.

6.9 Delivery of Stock Certificates Upon Expiration of Restricted Period. Upon expiration of the Restricted Period applicable to Restricted Stock, the Company shall upon Participant's request, promptly cause to be delivered to the Participant one or more certificates representing the shares granted as such Restricted Stock (which shares shall no longer be deemed to be Restricted Stock), with any legends no longer applicable to such shares removed from such certificate(s).

6.10 Adjustments. In the event that the outstanding shares of Common Stock increased or decreased, or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation, by reason of a reclassification, reorganization, merger, consolidation, share exchange, or other business combination in which the Company or a subsidiary of the Company is the surviving parent corporation, stock split-up, or combination of shares, (i) any securities received in addition to or in substitution for previously granted Restricted Stock as to which the applicable Restricted Period has not yet expired shall be deemed to be Restricted Stock subject the same Restricted Period and to such other terms and conditions as applied to such previously acquired Restricted Stock, and (ii) the Committee shall make such other adjustments in the number and kind of securities subject to outstanding grants of Restricted Stock as to which the applicable Restricted Period has not yet expired as it may determine to be necessary or desirable in order to prevent dilution or enlargement of the rights of each Participant.

7. Tax Withholding

7.1 Not later than the expiration of the Restricted Period applicable to Restricted Stock, or simultaneously with the Participant's filing with the Internal Revenue Service of an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, to be subject to tax upon the grant of Restricted Stock, the Participant shall make such provision, or furnish to the Company and its subsidiaries such authorization, as the Committee determines to be necessary or desirable so that the Company and its subsidiaries may satisfy their obligations under applicable tax laws to withhold for income or other taxes due with respect of such Restricted Stock.

7.2 If such tax withholding obligation will arise upon the expiration of the applicable Restricted Period, the Committee may require that, or permit the Participant to elect to have, the Company withhold from such Restricted Stock, or permit the Participant to elect to surrender to the Company from shares of Common Stock already owned by the Participant (except for shares acquired from the Company by exercise of an option less than six months before the date on which the tax withholding obligation arose), whole shares of Common Stock which shall be sufficient in value to satisfy all or a portion of such tax withholding obligations.

7.3 If a Participant who receives a settlement of an Award under Section 5.4 in the form of Restricted Stock or has a Termination which does not result in forfeiture of previously granted Restricted Stock under Section 6.3 but with respect to which the Restricted Period continues after such Termination under Section 6.4, will be subject to federal income taxation as a result of such settlement or Termination at the time thereof (or, in the case of a Participant subject to Section 16 of the Exchange Act, six months after settlement) rather than upon expiration of the Restricted Period (without regard to any filing with the Internal Revenue Service of an election under Section 83(b) of the Internal Revenue Code of 1986, as amended), then the Company may withhold from the Restricted Stock or permit the Participant to elect to surrender to the Company from shares of Common Stock already owned by the Participant (except for shares acquired from the Company by exercise of an option less than six months before the date on which the tax withholding obligation arose), at the date the Participant becomes subject to federal income taxation with respect to such Restricted Stock, whole shares of Common Stock which shall be sufficient in value to satisfy all or a portion of applicable tax withholding obligations and any additional federal and state income taxes relating to such Restricted Stock (calculated at the Participant's highest marginal rate of taxation).

7.4 Shares withheld or surrendered under this Section 7 shall be valued at their Fair Market Value on the date as of which the Participant became subject to federal income taxation with respect to the Restricted Stock. The Committee may, in its discretion, impose restrictions on any share withholding and surrender under this Section 7, including restrictions on Participants subject to Section 16 of the Exchange Act, in order to ensure that the grant of a right to elect such share withholding and provide the opportunity to such Participants to avail themselves of an exemption for the actual withholding or surrender of shares from short-swing profits liability under the Exchange Act.

8. Administration

Administrative details relating to Awards shall be handled by the Administrator, which shall be one or more individuals, employed in the Company's corporate office, designated by the Chief Executive Officer of the Company to serve in such capacity.

Exhibit 1995-I

ANNUAL INCENTIVE AWARDS AUTHORIZED
FOR 1995

The following sets forth the name of eligible officers for whom Annual Incentive Awards are authorized for the 1995 Performance Year. Opposite the name of each Participant is the Exhibit setting forth the Performance Objectives applicable to such Participant.

Name	Exhibit Setting Forth Performance Objective
____________________________	Exhibit 1995-II
____________________________	Exhibit 1995-III
____________________________	Exhibit 1995-III
____________________________	Exhibit 1995-IV
____________________________	Exhibit 1995-IV
____________________________	Exhibit 1995-IV
____________________________	Exhibit 1995-V

Exhibit 1995-____

PERFORMANCE OBJECTIVES FOR 1995
ANNUAL INCENTIVE AWARDS

[NAME OF ELIGIBLE UNIT:]

		Performance Level		
Weight	Business Criteria	Minimum	Target	Maximum

Notes

ATTACHMENT A

HARSCO CORPORATION
1995 EXECUTIVE INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK AGREEMENT

Agreement dated as of February 15, 1996, between HARSCO CORPORATION (the "Company") and the undersigned individual ("Participant").

The Company and Participant hereby agree as follows:

1. Grant of Restricted Stock; Consideration

The Management Development and Compensation Committee of the Company's Board of Directors will be considering from time to time the possible grant, under and pursuant to the Company's 1995 Executive Incentive Compensation Plan (the "1995 Plan"), to Participant of shares of the Company's Common Stock, par value $1.25 per share in settlement of Earned Award Potential (the "Awarded Restricted Stock"). Such Awarded Restricted Stock, if any, shall be specified from time to time in notices issued by the Company and delivered to Participant. This Restricted Stock Agreement (the "Agreement") sets forth terms and conditions applicable to any Awarded Restricted Stock and any additional shares acquired by Participant as a result of dividend reinvestment under Section 5 hereof ("Reinvestment Restricted Stock" and, together with the Awarded Restricted Stock, "Restricted Stock"). Participant shall be required to pay no consideration for the grant of Awarded Restricted Stock hereunder except for his prior services performed during the applicable Performance Year in connection with such Award, his performance of services to the Company prior to the expiration of restrictions on the Restricted Stock, and his agreement to abide by the terms set forth in the 1995 Plan, the Authorization, Terms and Conditions of Annual Incentive Awards (the "Authorization"), and this Restricted Stock Agreement (the "Agreement").

2. Incorporation of 1995 Plan and Authorization by Reference

Restricted Stock will be subject to the terms of 1995 Plan, the Authorization, and this Agreement. All of the terms, conditions and other provisions of the 1995 Plan and Authorization, copies of which are attached hereto, are hereby incorporated by reference into this Agreement. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the 1995 Plan and the Authorization. If there is any conflict between the provisions of this Agreement and the provisions of the 1995 Plan and the Authorization, the provisions of the 1995 Plan and the Authorization shall govern. Participant hereby acknowledges receipt of the attached copies of the 1995 Plan and Authorization and agrees to be bound by all the terms and provisions thereof (as presently in effect or hereafter amended), and by all decisions and determinations of the Committee thereunder.

3. Form of Stock

Any Restricted Stock will be held by Chemical Mellon Shareholder Services (which also serves as the Company's transfer agent), as agent and nominee for Participant and other participants (the "Agent"). Agent shall maintain appropriate books and records of account reflecting Participant's rights in the shares. Agent may hold such shares directly or through a nominee it may select. The Company or Agent may, from time to time, designate a substitute Agent. Agent shall not permit shares of Restricted Stock or interests therein to be transferred to Participant at any time the restrictions set forth in Section 6 of the Authorization remain in effect as to such shares, but will cause shares to be transferred to Participant (in such manner as may then be approved by the Secretary of the Company) as promptly as practicable following notification by the Company of the lapse of such restrictions. Upon receipt of written notice by the Company that the Participant has forfeited his or her Restricted Stock, the Agent will transfer those shares of Restricted Stock specified in such notice to the Company.

4. Restrictions and Related Terms

The Restricted Stock (including both Awarded Restricted Stock and Reinvestment Stock) shall be subject to the terms and provisions, including the restrictions on transferability and the risk of forfeiture, set forth in Section 6 of the Authorization.

5. Dividend Reinvestment

Participant agrees that all dividends paid upon Restricted Stock will be automatically reinvested through a dividend reinvestment plan administered by the transfer agent or such other agent as may be designated by the Company or the Agent, and the shares obtained through such reinvestment will be Reinvestment Restricted Stock, subject to the same restrictions against transfer and to the same forfeiture provisions as the Restricted Stock with respect to which the dividend was paid.

6. Stock Power

Participant agrees to execute and deliver to the Company one or more stock powers, in the form attached hereto or such other form as may be specified by the Secretary of the Company, authorizing the transfer of Restricted Stock to the Company, upon request of the Company at any time if the Company deems such stock power necessary or convenient.

7. Tax Withholding

The Company and any subsidiary may withhold from the Restricted Stock (by deduction from Participant's Restricted Stock share account balance) or from any payment to be made to Participant any amount that federal, state, local, or foreign tax law requires to be withheld with respect to the grant of Restricted Stock, the lapse of restrictions on the Restricted Stock, or the expiration of the Restricted Period. The

Participant may elect prior to the date he or she becomes subject to taxation, to have the Company withhold from the Restricted Stock, or surrender previously acquired shares of Common Stock to the Company, in payment of such tax withholding obligations. If Restricted Stock is withheld or shares surrendered, the number of shares withheld or surrendered shall be that number of whole shares up to but not exceeding that number which has a Fair Market Value, at the date the Participant becomes subject to taxation, nearest to but not exceeding the amount of taxes that are to be paid through such withholding or surrender, to the extent permitted under Section 7 of the 1995 Plan.

8. Miscellaneous

Nothing contained in this Agreement shall be construed to obligate the Company to award or grant any Restricted Stock to the Participant. This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Restricted Stock, and supersedes any prior agreements or documents with respect to the Restricted Stock. No amendment, alteration, suspension, discontinuation, or termination of this Agreement which may impose any additional obligation upon the Company or materially impair the rights of Participant with respect to the Restricted Stock shall be valid unless in each instance such amendment, alteration, suspension, discontinuance, or termination is expressed in a written instrument duly executed in the name and on behalf of the party bound thereby.

HARSCO CORPORATION

BY: ______________________________________
Paul C. Coppock
Senior Vice President,
Chief Administrative Officer,
General Counsel & Secretary

PARTICIPANT:

____
Signature

____
Print Name

STOCK POWER

Exhibit

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto Harsco Corporation _________________ shares of Common Stock, $1.25 par value per share, of Harsco Corporation, Inc., a Delaware corporation (the "Company"), registered in the name of the undersigned on the books and records of the Company, and does hereby irrevocably constitute and appoint Paul C. Coppock, Barry M. Sullivan, Brian H. Tucker, and ___________________________________, and each of them, attorneys, to transfer the Common Stock on the books of the Company, with full power of substitution in the premises.

____
Signed

____
Print Name

____
Date

Exhibit 11

HARSCO CORPORATION
COMPUTATION OF FULLY DILUTED NET INCOME PER COMMON SHARE
(dollars in thousands except per share)

	YEARS ENDED				
	1996	1995	1994	1993	1992
Net income	$ 119,009	$ 97,377	$ 86,553	$ 87,618	$ 84,332
Average shares of common stock outstanding used to compute primary earnings per common share	49,883,062	50,492,712	50,229,748	50,073,786	51,933,510
Additional common shares to be issued assuming exercise of stock options, net of shares assumed reacquired	437,906	385,604	210,776	298,816	396,440
Shares used to compute dilutive effect of stock options	50,320,968	50,878,316	50,440,524	50,372,602	52,329,950
Fully diluted net income per common share	$ 2.36	$ 1.91	$ 1.72	$ 1.74	$ 1.61
Net income per common share	$ 2.39	$ 1.93	$ 1.72	$ 1.75	$ 1.62

Exhibit 12

HARSCO CORPORATION

Computation of Ratios of Earnings to Fixed Charges

(In Thousands of Dollars)

	YEARS ENDED DECEMBER 31				
	1996	1995	1994	1993	1992
Consolidated Earnings:					
Pre-tax income from continuing operations (1)	$ 195,345	$ 161,231	$ 146,089	$ 137,151	$ 140,576
Add fixed charges computed below	26,181	33,121	37,982	23,879	22,425
Net adjustments for equity companies	(9,410)	(4,320)	(134)	(363)	(454)
Net adjustments for capitalized interest	--	--	(274)	(172)	(134)
Consolidated Earnings Available for Fixed Charges	$ 212,116	$ 190,032	$ 183,663	$ 160,495	$ 162,413
Consolidated Fixed Charges:					
Interest expense per financial statements (2)	$ 21,483	$ 28,921	$ 34,048	$ 19,974	$ 18,882
Interest expense capitalized	131	134	338	332	355
Portion of rentals (1/3) representing an interest factor	4,567	4,066	3,596	3,573	3,188
Interest expense for equity companies whose debt is guaranteed (3)	--	--	--	--	--
Consolidated Fixed Charges	$ 26,181	$ 33,121	$ 37,982	$ 23,879	$ 22,425
Consolidated Ratio of Earnings to Fixed Charges	8.10	5.74	4.84	6.72	7.24

(1) 1992 excludes the cumulative effect of change in accounting method for postretirement benefits other than pensions.

(2) Includes amortization of debt discount and expense.

(3) No fixed charges were associated with debt of less than fifty percent owned companies guaranteed by the Company during the five year period 1992 through 1996.

Audited Financial Statements

United Defense, L.P.

As of December 31, 1996 and 1995 and for each of the
three years in the period ended December 31, 1996
with Report of Independent Auditors

[ERNST & YOUNG LOGO]

United Defense, L.P.

Audited Financial Statements

As of December 31, 1996 and 1995 and for each of
the three years in the period ended December 31, 1996

CONTENTS

[ERNST & YOUNG LETTERHEAD]

Report of Independent Auditors

Partners
United Defense, L.P.

We have audited the accompanying balance sheets of United Defense, L.P. as of December 31, 1996 and 1995, and the related statements of income, partners' capital, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Defense, L.P. at December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

January 15, 1997

United Defense, L.P.

Balance Sheets

	DECEMBER 31 1996	DECEMBER 31 1995
	(In Thousands)	
ASSETS		
Current assets:		
Cash and marketable securities	$ 23	$ 896
Short-term investment with FMC Corporation	19,497	30,350
Trade receivables	85,483	98,929
Inventories (Note 3)	345,738	232,285
Other current assets	4,021	9,165
Total current assets	454,762	371,625
Investments in affiliated companies	7,192	7,662
Property, plant and equipment (Note 4)	466,493	475,891
Less -- accumulated depreciation	359,163	360,087
Net property, plant and equipment	107,330	115,804
Patents and deferred charges (Note 5)	34,194	39,132
Prepaid pension cost (Note 6)	41,501	35,381
Total assets	$644,979	$569,604

	DECEMBER 31 1996	1995
	(In Thousands)	
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable, trade and other	$ 71,723	$ 98,385
Advanced payments	258,990	194,276
Accrued and other liabilities	72,400	62,698
Due to FMC Corporation for current services	5,094	5,011
Total current liabilities	408,207	360,370
Accrued pension cost (Note 6)	25,641	17,765
Accrued postretirement benefit cost (Note 7)	31,493	35,036
Total liabilities	465,341	413,171
Commitments and contingencies (Notes 9, 11, and 12)		
Partners' capital		
FMC Corporation	136,889	122,989
Harsco Corporation	42,749	33,444
Total partners' capital	179,638	156,433
Total liabilities and partners' capital	$644,979	$569,604

See accompanying notes.

United Defense, L.P.

Statements of Income

	YEAR ENDED DECEMBER 31 1996	1995	1994
	(In Thousands)		
Revenue:			
Sales	$1,029,333	$ 967,553	$1,076,259
Costs and expenses:			
Cost of sales	820,845	746,701	809,813
Selling, general and administrative expenses	128,455	122,675	131,822
Research and development	12,853	12,422	16,311
	962,153	881,798	957,946
Income from operations	67,180	85,755	118,313
Other income (expense):			
Earnings related to investments in foreign affiliates	31,916	21,393	12,471
Interest	1,933	2,744	2,569
Miscellaneous, net	--	(798)	52
Income before income taxes	101,029	109,094	133,405
Provision for income taxes (Note 2)	2,859	1,429	3,878
Net income	$ 98,170	$ 107,665	$ 129,527

See accompanying notes.

United Defense, L.P.

Statements of Partners' Capital

	FMC	HARSCO	TOTAL
	(In Thousands)		
Initial partnership contributions as of January 1, 1994	$ 124,740	$ 29,600	$ 154,340
Distributions 1994	(90,117)	(70,054)	(160,171)
1994 Net income	69,736	59,791	129,527
Balance, December 31, 1994	104,359	19,337	123,696
Distributions 1995	(37,117)	(37,811)	(74,928)
1995 Net income	55,747	51,918	107,665
Balance, December 31, 1995	122,989	33,444	156,433
Distributions 1996	(36,999)	(37,966)	(74,965)
1996 Net income	50,899	47,271	98,170
Balance, December 31, 1996	$ 136,889	$ 42,749	$ 179,638

See accompanying notes.

United Defense, L.P.

Statements of Cash Flows

	1996	1995	1994
	YEAR ENDED DECEMBER 31 (In Thousands)		
OPERATING ACTIVITIES			
Net Income	$ 98,170	$ 107,665	$ 129,527
Adjustments for noncash components of net income:			
Depreciation	26,327	26,728	28,993
Amortization of restructuring costs	12,667	--	--
Other	519	(3,543)	78
Changes in assets and liabilities:			
Trade receivables	13,446	(17,678)	7,401
Inventories	(113,453)	(49,320)	(2,609)
Other current assets	5,144	780	(964)
Prepaid pension cost	(6,120)	(3,446)	(5,898)
Restructuring costs	(7,778)	(23,498)	(7,044)
Accounts payable, trade and other	(26,662)	23,327	(2,290)
Advanced payments	64,714	28,859	(8,613)
Accrued and other liabilities	9,702	4,038	21,912
Due to FMC Corporation for current services	83	2,498	2,513
Accrued pension cost	7,876	5,419	6,072
Accrued postretirement benefit costs	(3,543)	(7,171)	(3,069)
Cash provided by operating activities	81,092	94,658	166,009
INVESTING ACTIVITIES			
Capital spending	(22,396)	(24,124)	(18,259)
Disposal of property, plant and equipment	4,543	3,640	1,138
Short-term investment with FMC Corporation	10,853	(30,350)	--
Cash used in investing activities	(7,000)	(50,834)	(17,121)
FINANCING ACTIVITIES			
Cash contributions from Partners			41,670
Partner distributions	(74,965)	(74,928)	(160,171)
Cash used in financing activities	(74,965)	(74,928)	(118,501)
Increase (decrease) in cash and marketable securities	(873)	(31,104)	30,387
Cash and marketable securities, beginning of period	896	32,000	1,613
Cash and marketable securities, end of period	$ 23	$ 896	$ 32,000

See accompanying notes.

United Defense, L.P.

Notes to Financial Statements

As of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996

1. FORMATION OF UNITED DEFENSE, L.P.

On January 28, 1994, FMC Corporation (FMC) and Harsco Corporation (Harsco) announced completion of a series of agreements to combine certain assets and liabilities of FMC's Defense Systems Group (DSG) and Harsco's BMY Combat Systems Division (BMY). The effective date of the combination was January 1, 1994. The combined company, United Defense, L. P. (the partnership), will operate as a limited partnership. FMC is the Managing General Partner with a 60% equity interest and Harsco Defense Holding is a Limited Partner holding a 40% equity interest.

The partnership designs, develops and manufactures various tracked armored combat vehicles and a wide spectrum of weapons delivery systems for the armed forces of the United States and nations around the world.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements include the accounts of the partnership and its wholly owned subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, in particular, estimates of contract cost and revenues used in the earnings recognition process. Actual results could differ from those estimates.

REVENUE RECOGNITION FOR CONTRACTS-IN-PROGRESS

Sales are recognized on most production contracts as deliveries are made or accepted. Sales under cost reimbursement contracts for research, engineering, prototypes, repair and

United Defense, L.P.

Notes to Financial Statements (continued)

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION FOR CONTRACTS-IN-PROGRESS (CONTINUED)

maintenance and certain other contracts are recorded as costs are incurred and include estimated fees in the proportion that costs incurred to date bear to total estimated costs. Changes in estimates for sales and profits are recognized in the period in which they are determinable using the cumulative catch-up method. Claims are considered in the estimated contract performance at such time as realization is probable. Any anticipated losses on contracts are charged to operations as soon as they are determinable.

During 1996, the partnership recognized a $14.3 million reduction in cost of sales as a result of a settlement with the U.S. government on the cost of a component supplied by the U.S. government on a group of related contracts.

INVENTORIES

Inventories are stated at the lower of cost or market value. Cost is determined on the last-in, first-out (LIFO) basis, except for inventories relating to long-term contracts. Inventoried costs relating to long-term contracts not valued on the LIFO basis are stated at the actual production cost incurred to date, reduced by amounts recognized as cost of sales. The costs attributed to units delivered under contracts are based on gross margins expected to be realized over the life of the related contract. Gross margins are based on the estimated revenue less the estimated cost of all units expected to be produced over the life of the related contract.

Inventory costs include manufacturing overhead. Costs normally associated with general and administrative functions, independent research and bid and proposal are expensed as incurred.

BMY had followed the accounting practice of capitalizing general and administrative expense in inventory. To conform with the partnership's accounting policy and the agreement between FMC and Harsco, $7.4 million of such expenses, which were included in the inventory contributed by Harsco, were charged against income during 1994.

United Defense, L.P.

Notes to Financial Statements (continued)

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN AFFILIATED COMPANIES

The investment in a majority owned foreign joint venture in Turkey is carried at cost since there is uncertainty regarding the partnership's ability to control this venture or to repatriate earnings, and because of the extreme volatility of foreign exchange rates in the country in which this venture is active. Income is recognized as dividends are received. In 1996, the partnership changed its method of accounting for its investment in a foreign-owned joint venture in Saudi Arabia from the cost to the equity method. Equity in earnings from this venture was $4.6 million for 1996. Dividends received were $28.1 million, $21.4 million and $12.4 million during 1996, 1995 and 1994, respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost. Depreciation is provided principally on the sum-of-the-years digits and straight-line methods over estimated useful lives of the assets (land improvements - twenty years; buildings - twenty to thirty-five years; and machinery and equipment - three to twelve years). Gains and losses realized upon sale or retirement of assets are included in other income.

Maintenance and repairs are expensed as incurred. Expenditures that extend the useful life of property, plant and equipment or increase its productivity are capitalized and depreciated.

ADVANCED PAYMENTS RECEIVED FROM CUSTOMERS

Amounts advanced by customers as deposits on orders not yet billed and progress payments on contracts-in-progress are recorded as current liabilities.

FINANCIAL INSTRUMENTS

The fair values of financial instruments approximated their carrying values at December 31, 1996 and 1995. Fair values have been determined through information obtained from market sources and management estimates.

United Defense, L.P.

Notes to Financial Statements (continued)

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENVIRONMENTAL

Under the Participation Agreement between FMC and Harsco each partner generally is financially accountable to the partnership for environmental conditions occurring prior to formation of the partnership at facilities or properties previously operated or used in their respective businesses, to the extent that costs incurred are not recovered from third parties or not covered by environmental accruals contributed by the parties at formation. At December 31, 1996 and 1995, $4.2 million and $4.9 million, respectively, of the FMC contributed accruals and $1.4 million and $1.7 million, respectively, of the Harsco contributed accruals are unused.

INCOME TAXES

As a limited partnership, income or loss passes to the partners and is taxable at that level, except for taxes payable on the income of the partnership's Foreign Sales Corporation (FSC) subsidiary. The FSC paid income taxes amounting to $1.8 million, $3.5 million and $3.6 million during 1996, 1995 and 1994, respectively.

CASH FLOWS

Marketable securities consists of investments with initial maturities of three months or less.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1994 the partnership adopted the provisions of FAS 112, "Employer's Accounting for Postemployment Benefits." This statement requires accrual of liabilities for postemployment benefits provided to former or inactive employees, their beneficiaries, and covered dependents after employment, but before retirement, if those liabilities can be reasonably estimated. Adoption of FAS 112 resulted in a charge to the partnership's 1994 earnings amounting to $826,000.

United Defense, L.P.

Notes to Financial Statements (continued)

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS

Certain prior-year amounts have been reclassified in the accompanying financial statements to conform with the current year's presentation.

3. INVENTORIES

The current replacement cost of LIFO inventories exceeded their recorded values by approximately $31.7 million and $25.4 million at December 31, 1996 and 1995, respectively. Inventories on long-term contracts carried at actual production cost total approximately $12.6 million and $25 million at December 31, 1996 and 1995, respectively.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is as follows:

	1996	1995
Buildings	$ 55,305	$ 53,272
Machinery and equipment	382,573	395,468
Land and improvements	17,008	16,798
Construction in progress	11,607	10,353
	466,493	475,891
Less: Accumulated depreciation	359,163	360,087
Net Property, plant and equipment	$107,330	$115,804

5. ADVANCE AGREEMENT

In October 1994 the partnership entered into an Advance Agreement with the U.S. Department of Defense. Under the terms of the Agreement, the partnership is permitted to defer certain costs associated with consolidation and restructuring of its ground systems businesses that are incurred from January 1, 1994 through June 30, 1996. Costs deferred will then be allocated ratably to contracts with the Department of Defense for

United Defense, L.P.

Notes to Financial Statements (continued)

5. ADVANCE AGREEMENT (CONTINUED)

thirty-six months beginning January 1, 1996. As of December 31, 1996 and 1995, consolidation and restructuring costs deferred amount to $38.3 million and $30.5 million, respectively, and are included in patents and deferred charges in the accompanying balance sheet. Accumulated amortization as of December 31, 1996 was $12.7 million.

6. RETIREMENT PLANS

Substantially all of the partnership's domestic employees are covered by retirement plans. Plans covering salaried employees provide pension benefits based on years of service and compensation. Plans covering hourly employees generally provide benefits of stated amounts for each year of service.

The partnership's funding policy is to make contributions based on the projected unit credit method and to limit contributions to amounts that are currently deductible for tax purposes.

The following table summarizes the assumptions used and the components of the net pension cost for the years ended December 31, 1996, 1995 and 1994:

Assumptions:	1996	1995	1994
Weighted average discount rate	8.00%	8.00%	8.00%
Rates of increase in future compensation levels	5.00%	5.00%	5.00%
Weighted average expected long-term asset return	9.62%	9.62%	9.60%
Components:		(In Thousands)	
Service cost	$ 9,191	$ 8,744	$ 9,976
Interest cost on projected benefit obligation	19,826	18,008	16,967
Actual return on plan assets -- investment gains	(61,135)	(76,878)	(6,106)
Net amortization and deferral	34,918	55,886	(16,238)
Net pension cost	$ 2,800	$ 5,760	$ 4,599

As part of the partnership's downsizing and consolidation program, an incentive benefit package, which lowered the early retirement penalty, was offered to salaried and non-union hourly employees who were at least fifty-five years of age with ten or more years of service. In addition to the voluntary program, early retirement penalties were also adjusted for certain salaried and hourly employees affected by the downsizing and consolidation.

6. RETIREMENT PLANS (CONTINUED)

Pension expense includes a $1.2 million, $3.7 million and $3.8 million charge related to special termination benefits (early retirement incentive) and a $0.4 million, $1.0 million and $0.9 million curtailment charge included in net amortization and deferral relating to the elimination of employees for 1996, 1995 and 1994, respectively.

The funded status of the plans and accrued pension cost recognized in the partnership's financial statements as of December 31, 1996 and 1995 are as follows (in thousands):

	1996		1995	
	Over-funded Plans	Under-funded Plans	Over-funded Plans	Under-funded Plans
Actuarial present value of benefits for service rendered to date:				
Accumulated benefit obligation based on salaries to date, including vested benefits of $219,217 for 1996 and $197,675 for 1995	$(106,965)	$(125,579)	$(102,852)	$(108,287)
Additional benefits based on estimated future salary levels	--	(37,115)	--	(32,366)
Projected benefit obligation	(106,965)	(162,694)	(102,852)	(140,653)
Plan assets at fair market value (1)	208,380	175,830	182,507	153,565
Plan assets in excess of projected benefit obligation	101,415	13,136	79,655	12,912
Unrecognized net transition asset	(8,512)	1,179	(10,640)	1,575
Unrecognized prior-service cost	5,756	6,550	2,776	7,535
Unrecognized net gain	(57,158)	(46,506)	(36,410)	(39,787)
Net prepaid (accrued) pension cost	$ 41,501	$ (25,641)	$ 35,381	$ (17,765)

(1) Primarily equities, bonds and fixed income securities.

7. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Substantially all of the partnership's employees are covered by postretirement health care and life insurance benefit programs. Employees generally become eligible for the retiree benefit plans when they meet minimum retirement age and service requirements. The cost of providing most of these benefits is shared with retirees. The partnership has reserved the right to change or eliminate these benefit plans.

7. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (CONTINUED)

During 1995, the partnership's medical contributions for certain hourly employees were capped. This change, effective January 1, 1995, reduced the benefit obligation by $9.9 million, amortizable over the remaining years of service to full eligibility. Postretirement expenses in 1996 and 1995 include a $0.9 million gain.

Postretirement expense in 1995 includes a $2.8 million curtailment gain as a result of the partnership's downsizing and consolidation program.

The partnership funds a trust for retiree health and life benefits for employees previously covered under the FMC benefit plans. During 1995, the partnership began funding for benefits previously covered under the Harsco plan.

Actuarial assumptions used to determine costs and the benefit obligation include a discount rate of 8% and weighted average expected return on long-term assets of 9% for 1996, 1995, and 1994. The assumed rate of future increases in per capita cost of health care benefits was 10% in 1996 and 1995, decreasing to 6% by the year 2001 and after. Increasing the health care cost trend rates by one percentage point would increase the accumulated benefit obligation by approximately $2.8 million and would increase annual service and interest costs by approximately $0.3 million.

The following table summarizes the components of net postretirement benefit cost for the years ended December 31, 1996, 1995 and 1994:

	1996	1995	1994
		(In Thousands)	
Service cost	$ 1,174	$ 1,412	$ 1,372
Interest cost on accumulated postretirement benefit obligation	4,159	3,935	4,576
Actual return on plan assets -- investment (gains) losses	(4,916)	(4,468)	364
Net amortization and deferral	981	(1,685)	(2,203)
Net periodic postretirement benefit cost	$ 1,398	$ (806)	$ 4,109

United Defense, L.P.

Notes to Financial Statements (continued)

7. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (CONTINUED)

The funded status of the plans and accrued postretirement benefit cost recognized in the partnership's financial statements as of December 31, 1996 and 1995 are as follows:

	1996	1995
Accumulated postretirement obligation:		
Retirees	$(35,734)	$(33,135)
Fully eligible active participants	(5,515)	(5,244)
Other active participants	(14,905)	(14,433)
Accumulated postretirement benefit obligation	(56,154)	(52,812)
Plan assets at fair market value (1)	38,630	32,164
Accumulated postretirement benefit obligation in excess of plan assets	(17,524)	(20,648)
Unrecognized net gains	(13,969)	(14,388)
Accrued postretirement benefit cost	$(31,493)	$(35,036)

(1) Primarily equities and fixed income securities.

8. EMPLOYEES' THRIFT AND STOCK PURCHASE PLAN

Substantially all of the partnership's employees are eligible to participate in the partnership's defined contribution savings plans designed to comply with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 401(k) of the Internal Revenue Code. Charges against income for matching contributions to the plans were $7.7 million, $6.6 million and $6.2 million in 1996, 1995 and 1994, respectively.

9. COMMITMENTS AND CONTINGENT LIABILITIES

The partnership leases office space, plants and facilities, and various types of manufacturing, data processing and transportation equipment. Rent expense for 1996, 1995 and 1994 was $12.9 million, $12.8 million and $10.8 million, respectively. Minimum future rentals under noncancellable leases, excluding a related party lease (See Note 12), are estimated to be payable $8.4 million in 1997, $6.4 million in 1998, $3.5 million in 1999, $0.6 million in 2000, $0.5 million in 2001, and $0.6 million thereafter. The real estate leases generally provide for payment of property taxes, insurance and repairs by the partnership.

United Defense, L.P.

Notes to Financial Statements (continued)

9. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The partnership is subject to claims and suits arising in the ordinary course of its operations. In the opinion of management, the ultimate resolution of any current pending legal proceedings will not have a material effect on the partnership's financial position or results of operations.

At December 31, 1996, the partnership has outstanding letters of credit in the amount of $80.1 million as collateral for performance on long-term contracts.

10. PARTNERS' CAPITAL

Under the agreements of formation of the partnership, FMC and Harsco were required to contribute net assets with an historical net book value of $154.3 million.

The agreement provides for allocation of profits and losses and distribution of available cash generally on the basis of the partner's equity ownership interests, after giving effect to a limited partner preferred distribution and certain other items as agreed to by the partners. Under the terms of the partnership agreement the partnership is required to make quarterly tax distributions to each partner equal to the product of (i) such partner's share of the adjusted taxable income of the partnership times (ii) 40%. In addition, the partnership is required to make certain other distributions to the partners. Such required distributions are also made with reference to the partnership's adjusted taxable income.

FMC has the option to purchase or cause the partnership to purchase Harsco's interest in the partnership for 110% of the appraised value of Harsco's interest in the partnership subject to adjustment, as provided for in the partnership agreement. Harsco has the option to require the partnership to purchase its interest in the partnership for 95% of the appraised value of its partnership interest similarly subject to adjustment as provided for in the partnership agreement.

11. SIGNIFICANT CUSTOMER AND EXPORT SALES

Sales to various agencies of the U.S. Government aggregated $819.9 million, $719.1 million and $614.9 million during 1996, 1995 and 1994, respectively. At December 31, 1996 and 1995, trade accounts receivable from the U.S. Government totaled $44.1 million and $77.4 million, respectively. Export sales, including sales to foreign governments transacted through the U.S. Government, were $194.2 million, $216.3 million and $280.6 million during 1996, 1995 and 1994, respectively.

United Defense, L.P.

Notes to Financial Statements (continued)

12. RELATED PARTY TRANSACTIONS

The partnership has contracted with FMC for various administrative and support services. These services include computer services, systems and programming, data communications, employee relocation support, payroll processing, insurance and general management support. During the years ended December 31, 1996, 1995 and 1994, the partnership paid $35.2 million, $39.8 million and $42.4 million, respectively, to FMC for their support.

The partnership leases office and manufacturing facilities in San Jose, California from FMC. Under the lease agreement monthly rent payments are comprised of fixed base rent plus depreciation on the facilities. Fixed base rent is $2.0 million per year and the lease expires December 31, 2003. During 1996, 1995 and 1994 the partnership incurred rent amounting to $3.7 million, $3.9 million and $4.2 million, respectively, under this lease.

Sales of inventory to FMC during 1996, 1995 and 1994 amounted to $1.1 million, $1.5 million and $2.8 million, respectively. Management believes that such transactions were consummated on terms substantially similar to those that would arise in transactions with third parties.

During 1995, the partnership entered into an agreement with FMC and Harsco whereby the partnership's excess cash balances up to $40 million are invested with FMC. Interest on these funds is earned based on the average monthly cost of FMC's U.S. dollar revolver-related short-term borrowings for such month. In addition, the partnership may offer short-term loans, not to exceed ninety days, to the partners if funds are not immediately needed for working capital. Interest on short-term borrowings is equal to LIBOR without premium. Interest on all loans to FMC totaled $1.8 million and $1.1 million in 1996 and 1995.

HARSCO CORPORATION EXHIBIT 21

Subsidiaries of the Registrant:

Name	Country of Incorporation	Ownership Percentage
Heckett MultiServ SAIC	Argentina	100%
MetServ Holdings Pty. Limited	Australia	55%
MetServ (Australasia) Pty. Ltd.	Australia	70%
MetServ Victoria Pty. Ltd.	Australia	70%
MetServ Pty. Ltd.	Australia	55%
Harsco (Australia) Pty. Limited	Australia	100%
Fairmont Tamper (Australia) Pty. Limited	Australia	100%
Taylor-Wharton (Australia) Pty. Limited	Australia	100%
Alu Serv Middle East W.L.L.	Bahrain	65%
Heckett MultiServ S.A.	Belgium	100%
Heckett MultiServ Russia S.A.	Belgium	100%
Loyquip Holdings S.A.	Belgium	100%
Societe D'Etudes et D'Administration des Enterprises S.A.	Belgium	100%
Fortuna Insurance Limited	Bermuda	100%
Harsco (Bermuda) Limited	Bermuda	100%
Sociedade Brasileria de Recuperacao de Metals (Sobremetal) Ltda	Brazil	100%
Comercio de Rejeitos Industriais Ltda	Brazil	100%
Harsco Canada Limited	Canada	100%
Heckett Technology Services Canada, Inc.	Canada	100%
Heckett MultiServ S.A.	Chile	100%
MultiServ Wuhan Co. Ltd.	China	100%
MultiServ Jiangxi Co. Ltd.	China	100%
MultiServ s.r.o.	Czech Republic	100%
Heckett MultiServ Bahna S.A.E.	Egypt	65%
Metalsider S.A.S.	France	51%
Heckett MultiServ France S.A.	France	100%
Floyequip S.A.	France	100%
PyroServ	France	100%
Heckett MultiServ Sud S.A.	France	100%
Carbofer International GmbH	Germany	100%
Heckett MultiServ GmbH	Germany	100%
Harsco GmbH	Germany	100%
Axil International Ltd.	Ireland	100%
IMS Servizi Spa	Italy	100%
MultiServ SRL	Italy	100%
ILSERV SRL	Italy	65%
Luxequip Holdings S.A.	Luxembourg	100%
Heckett MultiServ S.A.	Luxembourg	100%
Societe Luxembourgoiese D'Interim S.A.	Luxembourg	100%
Taylor-Wharton Asia (M) SDN. BHD.	Malaysia	70%

Name	Country of Incorporation	Ownership Percentage
Irving, S.A. de C.V.	Mexico	100%
Heckett Mexicana, S.A. de C.V.	Mexico	100%
Andamios Patentados, S.A. de C.V.	Mexico	100%
Servicios Industriales Siderurgicos, S.A. de C.V.	Mexico	100%
Electroforjados Nacionales, S.A. de C.V.	Mexico	100%
Heckett MultiServ International N.V.	Netherlands	100%
Heckett MultiServ Finance B.V.	Netherlands	100%
Heckett MultiServ China B.V.	Netherlands	100%
Heckett MultiServ Far East B.V.	Netherlands	100%
Harsco Europa B.V.	Netherlands	100%
Heckett MultiServ (Holland) B.V.	Netherlands	100%
Heckett MultiServ AS	Norway	100%
Heckett MultiServ Saudi Arabia Limited	Saudi Arabia	55%
MultiServ Slovensko SPOL s r.o.	Slovakia Republic	100%
FerroServ (Pty.) Limited	South Africa	100%
Heckett MultiServ (South Africa) (Pty.) Ltd.	South Africa	51%
MultiServ Lycrete S.A.	Spain	100%
Serviequipo S.A.	Spain	100%
MultiServ Intermetal S.A.	Spain	100%
MultiServ Iberica S.A.	Spain	100%
Heckett MultiServ Reclamet S.A.	Spain	100%
Gestion Materias Ferricas, S.A.	Spain	85%
Heckett MultiServ Nordiska AB	Sweden	100%
Heckett MultiServ plc	U.K.	100%
Heckett MultiServ Ltd.	U.K.	100%
MultiServ Overseas Ltd.	U.K.	100%
Quipco Ltd.	U.K.	100%
Harsco (U.K.) Ltd.	U.K.	100%
The Permanent Way Equipment Company Limited	U.K.	100%
Tamper Corp. (U.K.) Limited	U.K.	100%
Heckett International Services Limited	U.K.	100%
Heckett Limited	U.K.	100%
Heckett MultiServ Corporation	U.S.A.	100%
Heckett MultiServ Inc.	U.S.A.	100%
Heckett MultiServ U.S. Corp.	U.S.A.	100%
Heckett MultiServ Operations Ltd.	U.S.A.	100%
Heckett MultiServ General Corp.	U.S.A.	100%
Heckett MultiServ Intermetal Inc.	U.S.A.	100%
Heckett Technology Services Inc.	U.S.A.	100%
Harsco Defense Holding, Inc.	U.S.A.	100%
Harsco Foreign Sales Corporation	U.S. Virgin Islands	100%
Heckett MultiServ MV + MS	Venezuela	100%
Heckett MultiServ Investment Corporation	U.S.A.	100%

Companies in which Harsco Corporation does not have majority ownership are not consolidated. These companies are listed below as unconsolidated entities:

Name	Country of Incorporation/ Organization	Ownership Percentage
Ferro Scrap Nigam Ltd.	India	40%
P.T. Purna Baja Heckett	Indonesia	40%
IKG-Salcon SDN. BHD.	Malaysia	50%
Nutter-Niro Ingenieria S.A. de C.V.	Mexico	49%
United Defense, L.P.	U.S.A.	40%

EXHIBIT 23(a)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the following Registration Statements of Harsco Corporation and Subsidiary Companies (the "Company") of our report, dated January 30, 1997, on our audits, of the consolidated financial statements and consolidated financial statement schedule of the Company as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996, which reports are included in this Annual Report on Form 10-K, respectively:

- - Post Effective Amendment No. 6 to Form S-8 Registration Statement (Registration No. 2-57876), effective May 21, 1982.

- - Post Effective Amendment No. 2 to Form S-8 Registration Statement (Registration No. 33-5300), dated March 26, 1987.

- - Form S-8 Registration Statement (Registration No. 33-14064), dated May 6, 1987.

- - Amendment No. 2 to Form S-8 Registration Statement (Registration No. 33-24854), dated October 31, 1988.

- - Form S-3 Registration Statement (Registration No. 33-56885) dated December 15, 1994.

- - Form S-8 Registration Statement (Registration No. 333-13175), dated October 1, 1996.

- - Form S-8 Registration Statement (Registration No. 333-13173), dated October 1, 1996.

COOPERS & LYBRAND L.L.P.

Philadelphia, Pennsylvania
March 24, 1997

EXHIBIT 23(b)

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements of Harsco Corporation and in the related Prospectuses of our report dated January 15, 1997 with respect to the financial statements of United Defense, L.P. included in this Annual Report (Form 10-K) for the year ended December 31, 1996:

Post Effective Amendment No. 6 to Form S-8 Registration Statement (Registration No. 2-57876), effective May 21, 1982.

Post Effective Amendment No. 2 to Form S-8 Registration Statement (Registration No. 33-5300), dated March 26, 1987.

Form S-8 Registration Statement (Registration No. 33-14064), dated May 6, 1987.

Amendment No. 2 to Form S-8 Registration Statement (Registration No. 33-24854), dated October 31, 1988.

Form S-3 Registration Statement (Registration No. 33-56885), dated December 15, 1994.

Form S-8 Registration Statement (Registration No. 333-13175), dated October 1, 1996.

Form S-8 Registration Statement (Registration No. 333-13173), dated October 1, 1996.

ERNST & YOUNG LLP

Washington, D.C.
March 20, 1997

5
1,000

12-MOS
DEC-31-1996
DEC-31-1996
45,862
0
276,779
(8,549)
126,018
508,546
1,187,452
(674,340)
1,324,419
294,027
227,385
0
0
81,823
599,464
1,324,419
1,557,643
1,608,499
1,176,982
1,393,081
0
3,661
21,483
200,884
76,336
119,009
0
0
0
119,009
2.39
2.36